

株式会社シノケングループ Shinoken Indonesia Private Equity LNG Fund

*“Strengthening Profitability Through Stability and Transparency”
Japanese Quality LNG Investment at The Heart of Indonesia*

PT Shinoken Asset Management Indonesia
A Member of Shinoken Group, Japan

Sept, 2018

Table of Content

- 1. Indonesia LNG Market Outlook 2018..... 3
- 1. Overview of - Shinoken Group..... 36
- 1. Investment Product Plan..... 48
- 1. Distribution Detail..... 66
- 1. Capital and Risk Management..... 69
- 6. Appendix..... 71

Section 1 : Indonesian LNG Market Outlook

Market and Economic Outlook 2018

Key Investment Points

- **US Government Policies** influence on market return with the tax cuts and/or health care reform
- **Tightening Monetary Policies from Central Banks**, uniformity of tightening for global central banks and how the new Fed Chairman – Jerome Powell – will likely to maintain status quo
- **Assessment Geopolitical Risk** such as North Korea
- **Market has priced in certain factors**
- **Timing of inflation and volatility return** as past performances are often diverged from future results



Source: Pixabay

Global Asset Classes Performance Comparison



Asset Class Returns

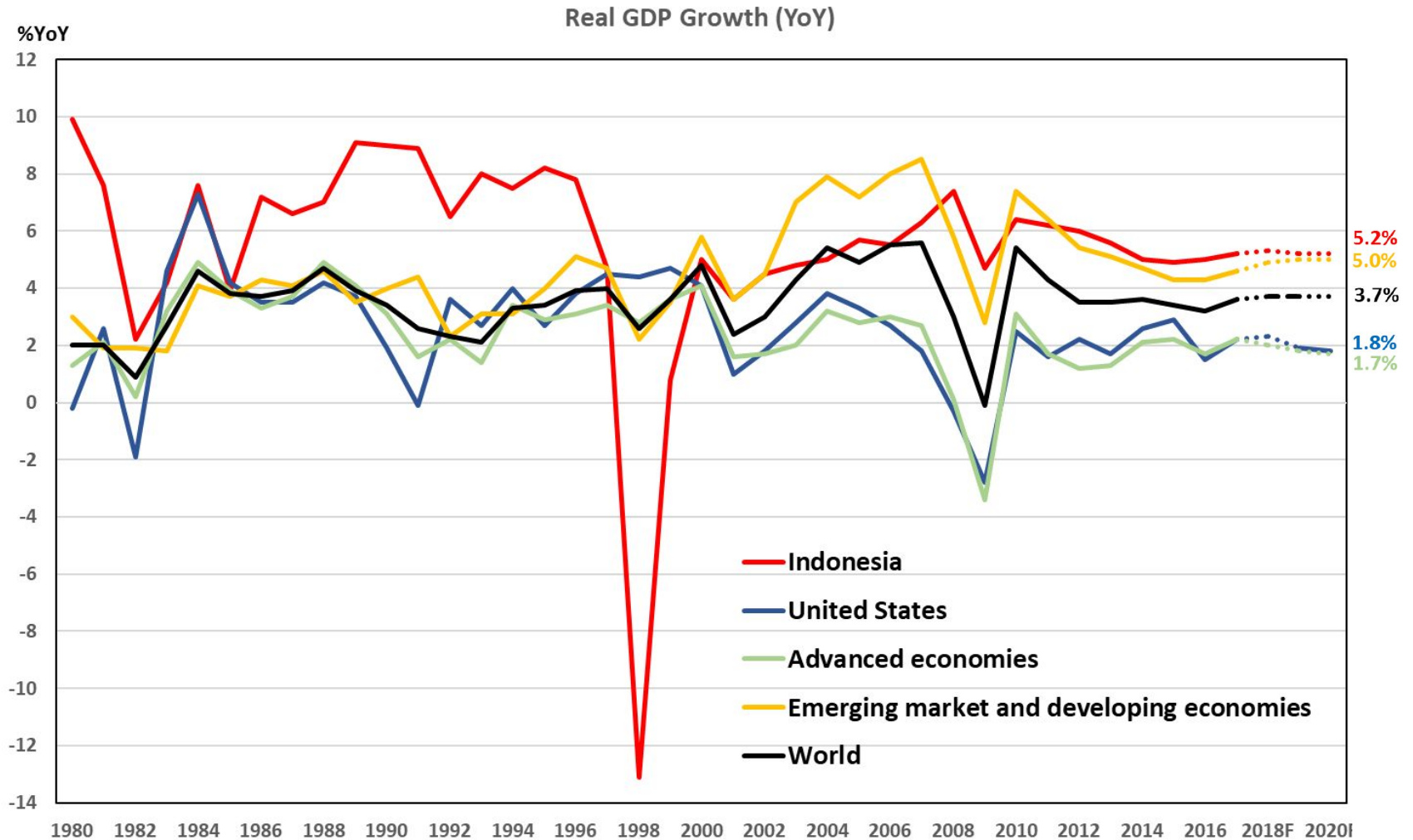
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EM 56.3%	REIT 31.6%	EM 34.5%	REIT 35.1%	EM 39.8%	HG Bnd 5.2%	EM 79.0%	REIT 28.0%	REIT 8.3%	REIT 19.7%	Sm Cap 38.8%	REIT 28.0%	REIT 2.8%	Sm Cap 21.3%	EM 37.8%
Sm Cap 47.3%	EM 26.0%	Int'l Stk 14.0%	EM 32.6%	Int'l Stk 11.6%	Cash 1.4%	HY Bnd 57.5%	Sm Cap 26.9%	HG Bnd 7.8%	EM 18.6%	Lg Cap 32.4%	Lg Cap 13.7%	Lg Cap 1.4%	HY Bnd 17.5%	Int'l 25.6%
Int'l Stk 39.2%	Int'l Stk 20.7%	REIT 12.2%	Int'l Stk 26.9%	AA 7.6%	AA -22.4%	Int'l Stk 32.5%	EM 19.2%	HY Bnd 4.4%	Int'l Stk 17.9%	Int'l Stk 23.3%	AA 6.9%	HG Bnd 0.6%	Lg Cap 12.0%	Lg Cap 21.8%
REIT 37.1%	Sm Cap 18.3%	AA 8.9%	Sm Cap 18.4%	HG Bnd 7.0%	HY Bnd -26.4%	REIT 28.0%	HY Bnd 15.2%	Lg Cap 2.1%	Sm Cap 16.4%	AA 11.5%	HG Bnd 6.0%	Cash 0.1%	EM 11.6%	Sm Cap 14.7%
Lg Cap 28.7%	AA 14.1%	Lg Cap 4.9%	AA 16.7%	Lg Cap 5.5%	Sm Cap -33.8%	Sm Cap 27.2%	Lg Cap 15.1%	AA 0.3%	Lg Cap 16.0%	HY Bnd 7.4%	Sm Cap 4.9%	Int'l Stk -0.4%	REIT 8.6%	AA 14.6%
HY Bnd 28.2%	Lg Cap 10.9%	Sm Cap 4.6%	Lg Cap 15.8%	Cash 4.4%	Lg Cap -37.0%	Lg Cap 26.5%	AA 13.5%	Cash 0.1%	HY Bnd 15.6%	REIT 2.9%	HY Bnd 2.5%	AA -1.3%	AA 7.2%	REIT 8.7%
AA 25.9%	HY Bnd 10.9%	Cash 3.2%	HY Bnd 11.8%	HY Bnd 2.2%	REIT -37.7%	AA 24.6%	Int'l Stk 8.2%	Sm Cap -4.2%	AA 12.2%	Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bnd 2.7%	HY Bnd 7.5%
HG Bnd 4.1%	HG Bnd 4.3%	HY Bnd 2.7%	Cash 4.7%	Sm Cap -1.6%	Int'l Stk -43.1%	HG Bnd 5.9%	HG Bnd 6.5%	Int'l Stk -11.7%	HG Bnd 4.2%	HG Bnd -2.0%	EM -1.8%	HY Bnd -4.6%	Int'l Stk 1.5%	HG Bnd 3.5%
Cash 1.0%	Cash 1.4%	HG Bnd 2.4%	HG Bnd 4.3%	REIT -15.7%	EM -53.2%	Cash 0.2%	Cash 0.2%	EM -18.2%	Cash 0.1%	EM -2.3%	Int'l Stk -4.5%	EM -14.6%	Cash 0.3%	Cash 1.0%

Abbr.	Asset Class - Index	Annual	Best	Worst
Lg Cap	Large Caps Stocks - S&P 500 Index	10.15%	32.4%	-37.0%
Sm Cap	Small Cap Stocks - Russell 2000 Index	11.17%	47.3%	-33.8%
Int'l Stk	International Developed Stocks - MSCI EAFE Index	8.60%	39.2%	-43.1%
EM	Emerging Market Stocks - MSCI Emerging Markets Index	12.68%	79.0%	-53.2%
REIT	REITs - FTSE NAREIT All Equity Index	11.13%	37.1%	-37.7%
HG Bnd	High Grade Bonds - Barclay's U.S. Aggregate Bond Index	4.14%	7.84%	-2.0%
HY Bnd	High Yield Bonds - BofAML US High Yield Master II Index	9.08%	57.5%	-26.4%
Cash	Cash - 3 Month Treasury Bill Rate	1.18%	4.7%	0.0%
AA	Asset Allocation Portfolio*	8.74%	25.9%	-22.4%

Past performance does not guarantee future returns. The historical performance shows changes in market trends across several asset classes over the past fifteen years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. For assistance, talk to a financial professional. All data are as of 12/31/17.

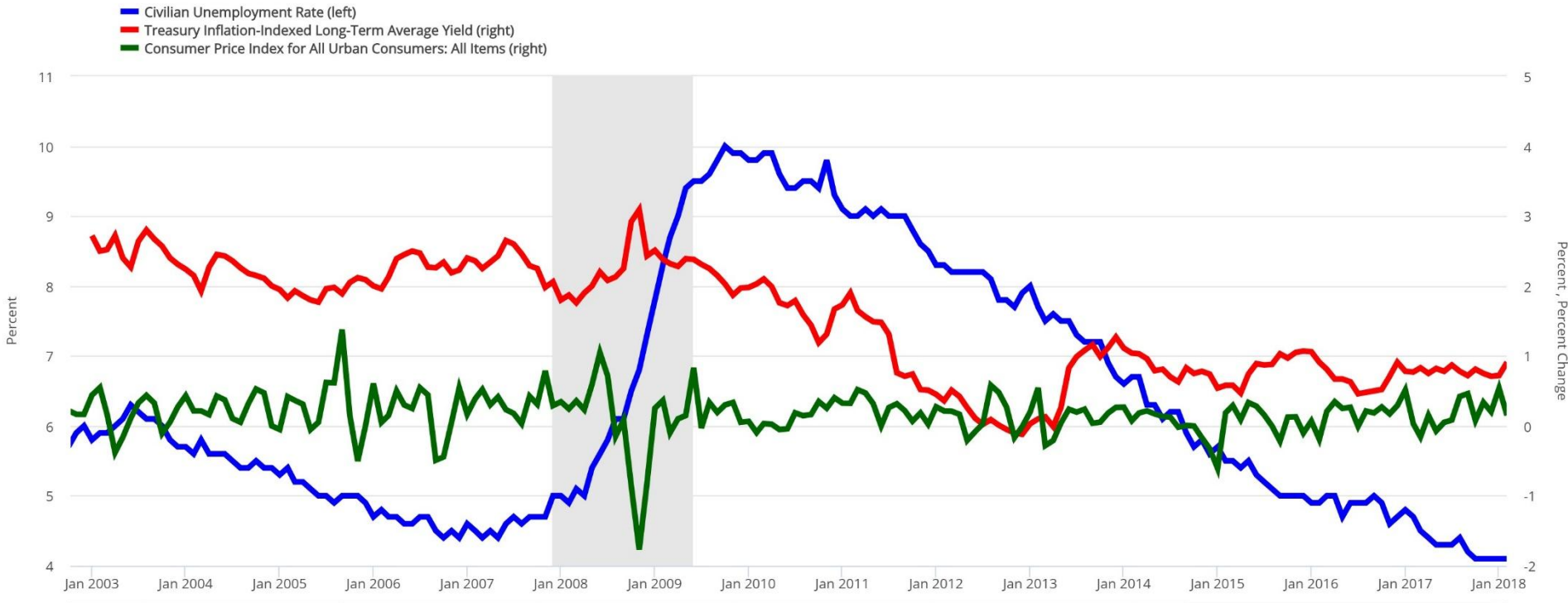
*Asset Allocation Portfolio is made up of 15% large cap stocks, 15% international stocks, 10% small cap stocks, 10% emerging market stocks, 10% REITs, 40% high-grade bonds, and annual rebalancing. Source: Novel Investors

Economic Growth Expectations



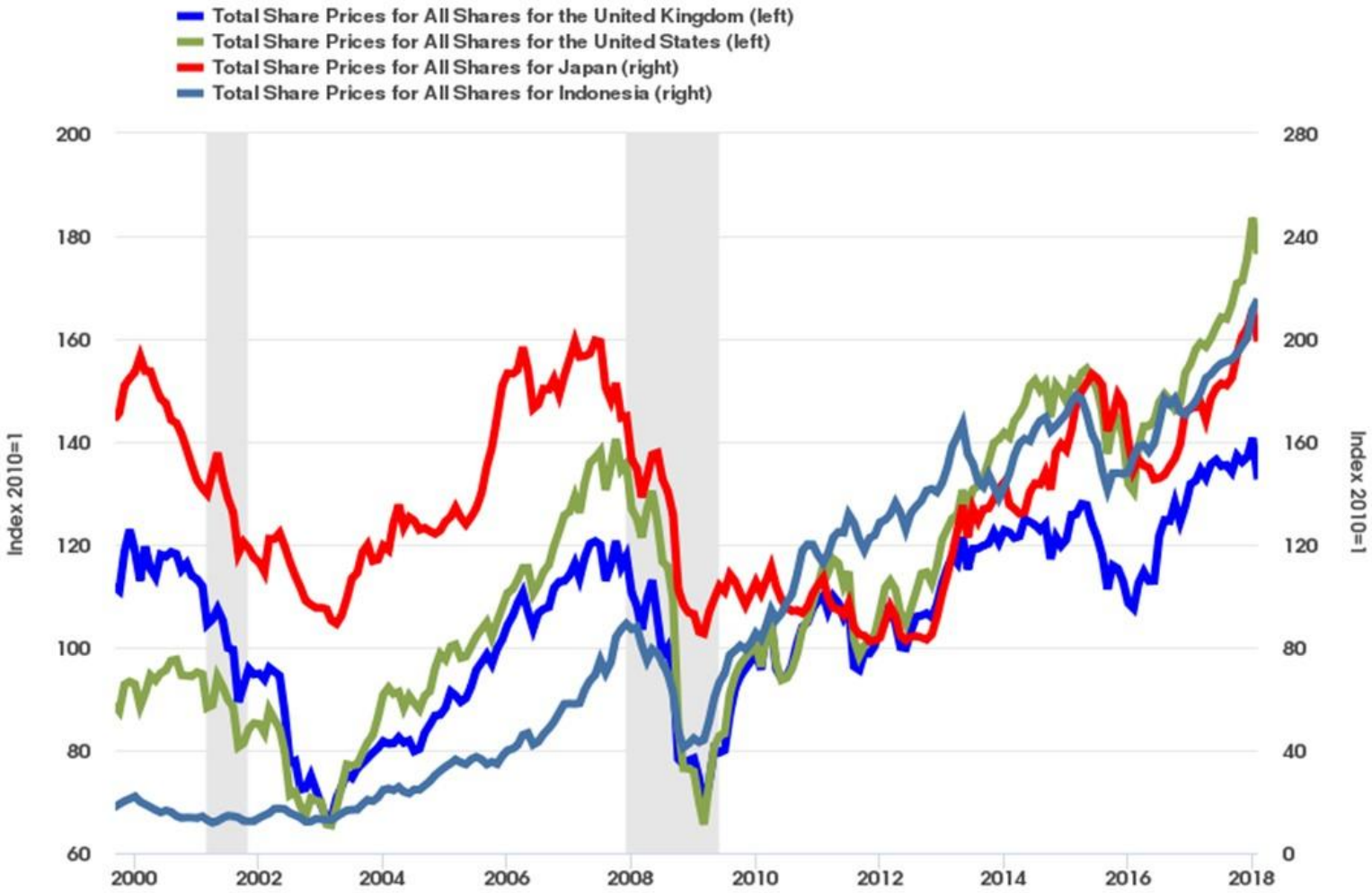
Source: IMF, Analyst Research

Historic Level of Unemployment To Yield and Inflation



Source: IMF, St. Louis, Analyst Research

Equity Value Reaching All-Time High Across Global Stock Markets in The US, The UK, Japan, and Indonesia



Source: Organization for Economic Co-operation and Development, Total Share Prices for All Shares for the United States [SPASTT01USM661N], Total Share Prices for All Shares for Indonesia [SPASTT01IDM661N], Total Share Prices for All Shares for Japan [SPASTT01JPM661N], Total Share Prices for All Shares for the United Kingdom [SPASTT01GBM661N], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SPASTT01USM661N>, March 13, 2018. (Recession are shaded in Grey)

The Equity Risk Premiums

The Extra Return that Equity Investor Gained assuming more risk - has been higher at most times in 12 years

S&P Earnings Yield vs 10 Yr. Real Yields vs 1 Month T-Bill

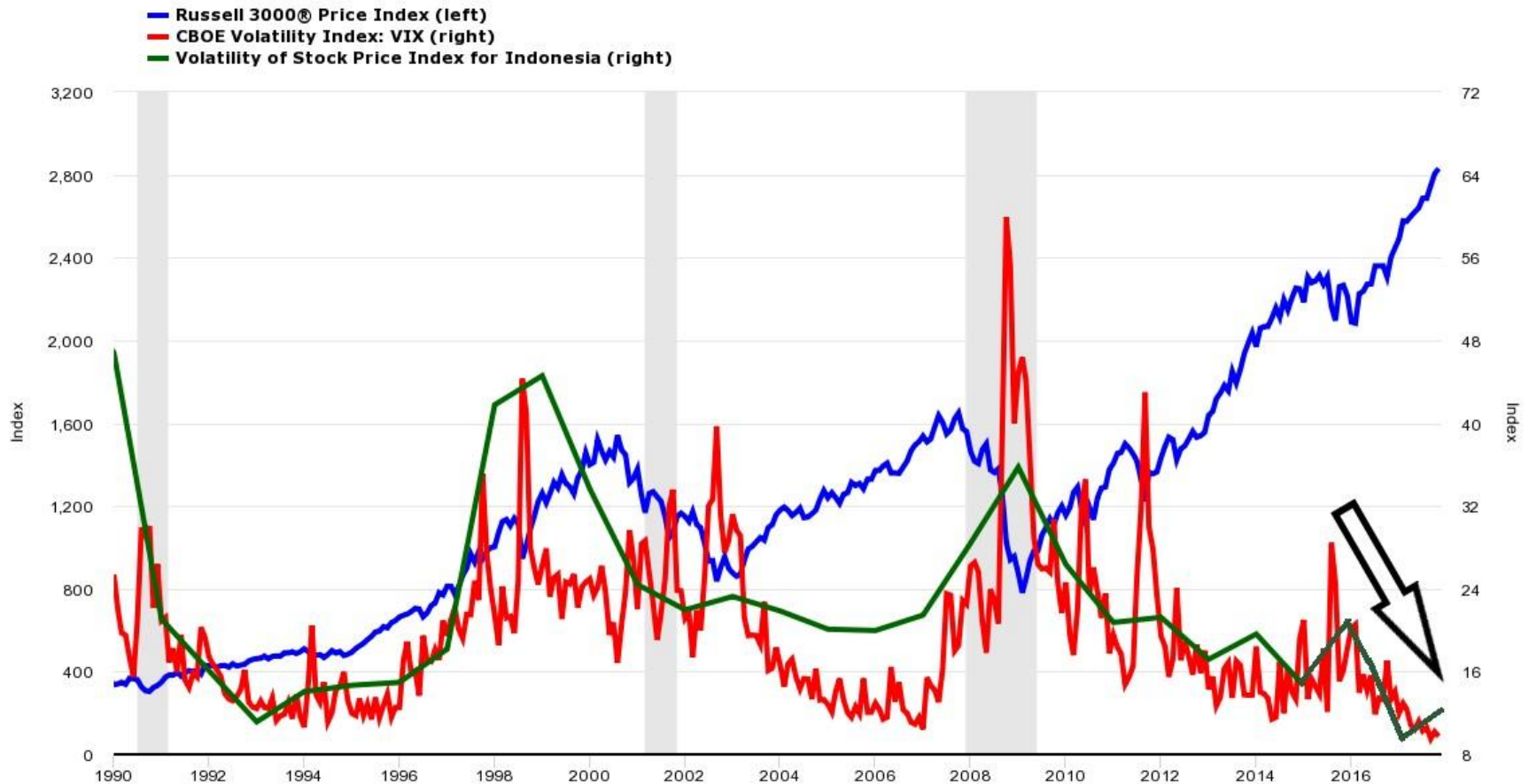
- 10-Year Treasury Inflation-Indexed Security, Constant Maturity, Percent, Monthly, Not Seasonally Adjusted
- S&P 500 Earnings Yield by Month
- 4-Week Treasury Bill: Secondary Market Rate, Percent, Monthly, Not Seasonally Adjusted



Source: Board of Governors of the Federal Reserve System (US), 10-Year Treasury Inflation-Indexed Security, Constant Maturity [DFII10], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DFII10>, March 13, 2018, S&P 500, The Fed.

Volatility Could Return To Normal

- The Equity Market has not only strengthened significantly, but also bizarrely calmed
- This could be the impending catalyst of future spike of volatility to a normal

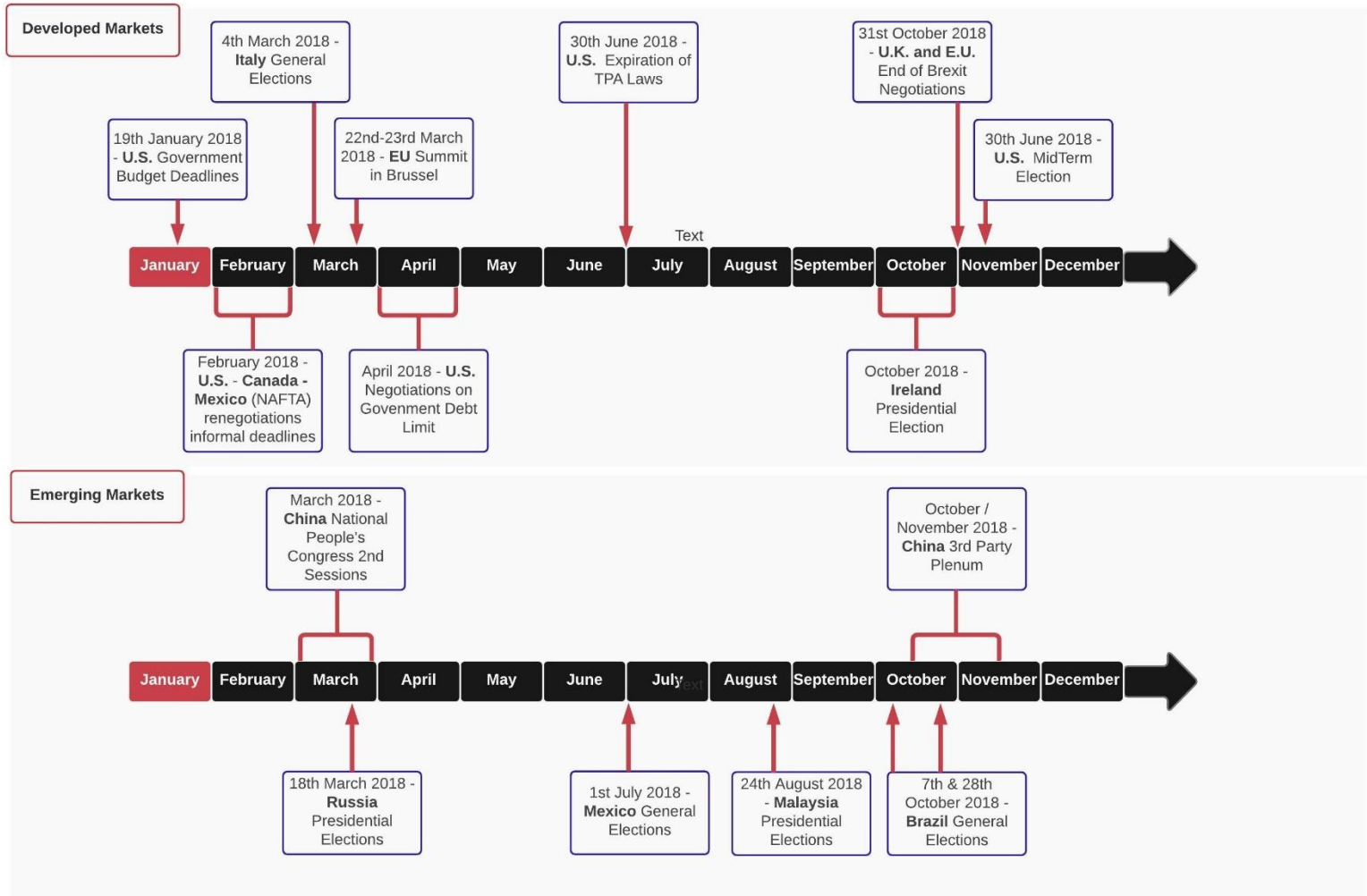


Source: Chicago Board of Options Exchange, Russell FTSE Analyst Research,], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SPASTT01USM661N>, February 25th, 2018. (Recession are shaded in Grey)

Assessment of Geopolitical Risks



POLITICAL TIMELINE 2018



Source: IMF, Analysts Research

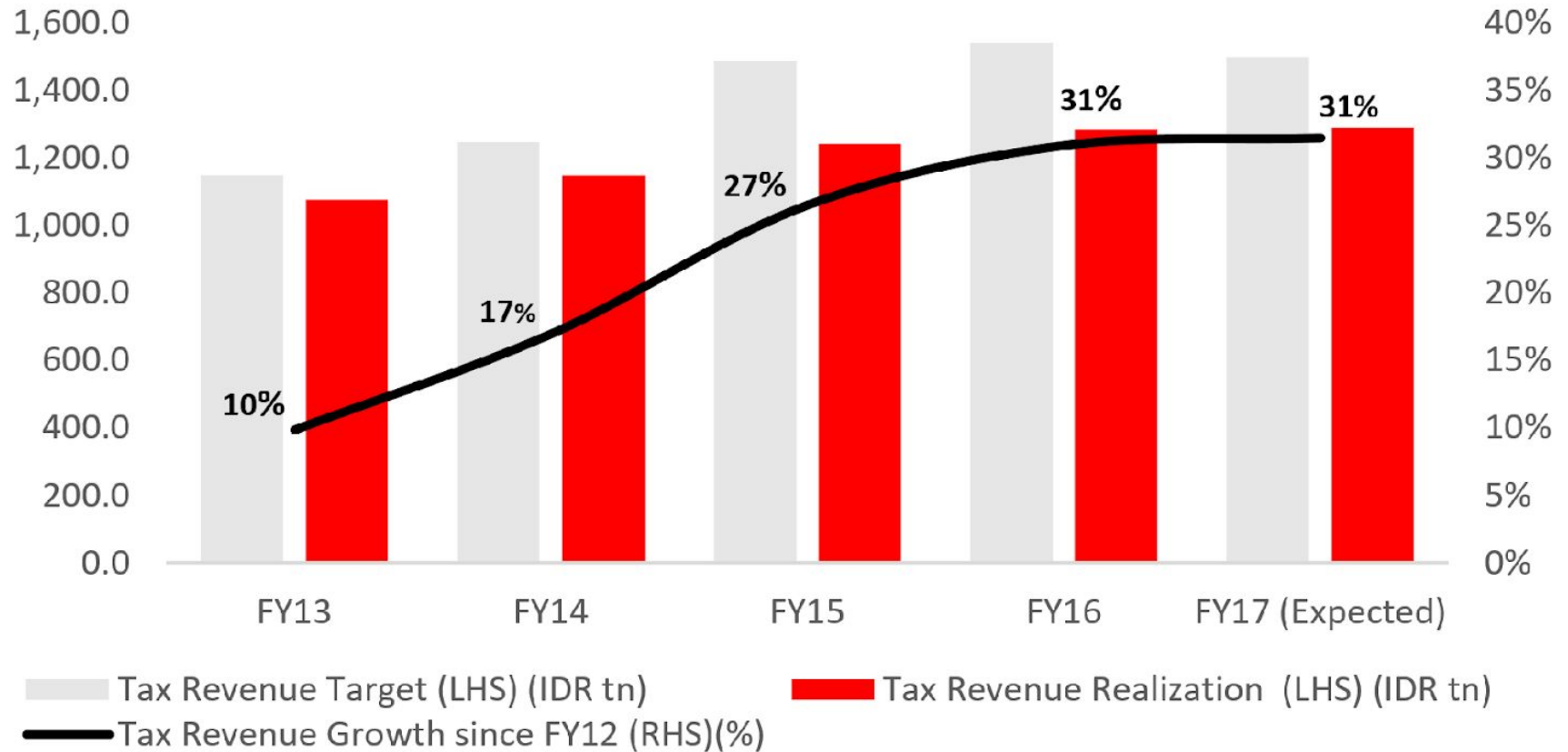
Key Market Outlook : Indonesian Economic Research

Indonesian Macroeconomic Reviews and Outlook

- **Indonesian Government Attempts to Reduce Budget Deficit Could Potentially Backfire into Relatively Lower Consumption**, resulting in Lower GDP Growth and Higher Budget Deficit Values
- **The circumstances of the deficit increase with a lower level of Government Expenditure and higher tax rates and revenue**
- **There is an inverse relationship between unemployment and inflation in the short run as described by the Phillips Curve**
- **Signs and Possibility of a Liquidity Trap within the Economy**

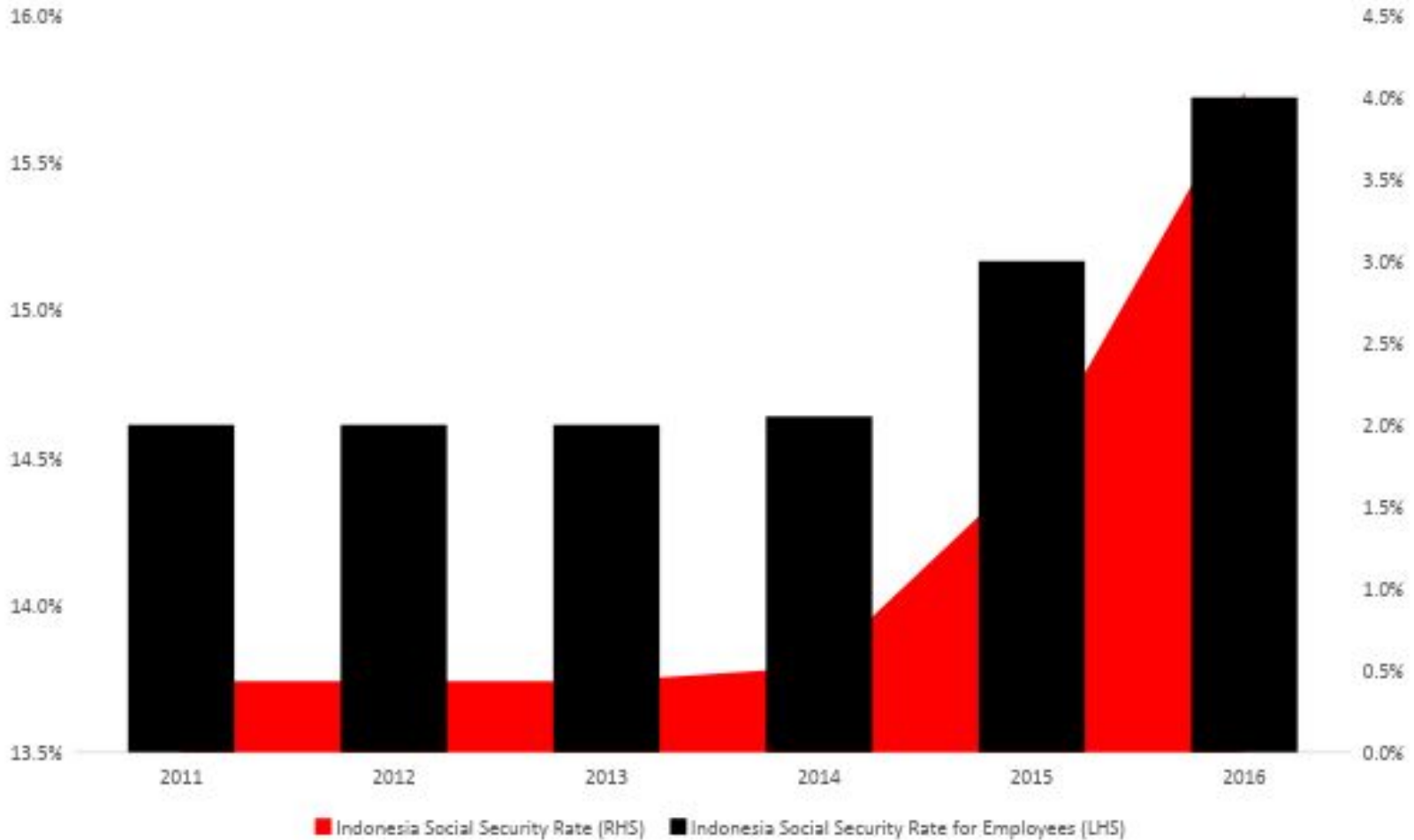


Increase of Government Income (T Rate x Y) over the Past 5 years (inc. Custom Duties)



Source: Ministry of Finance

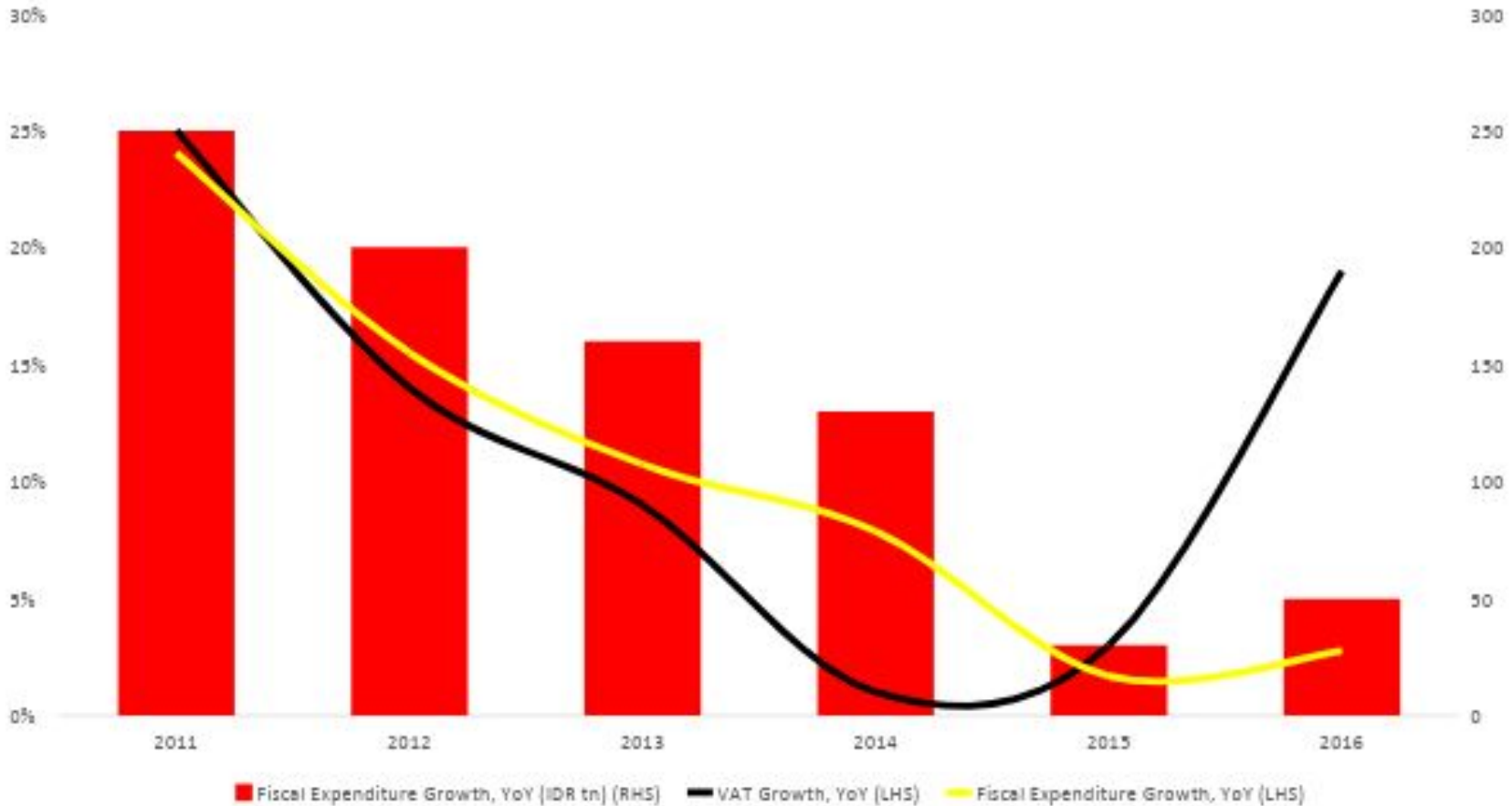
Increase in I Rate evidenced from increases in Social Security Rates due to Tax Amesty



Source: Ministry of Finance, UNStat

By 2016 the government in this case has increased Trate, and at the same time has decreased G

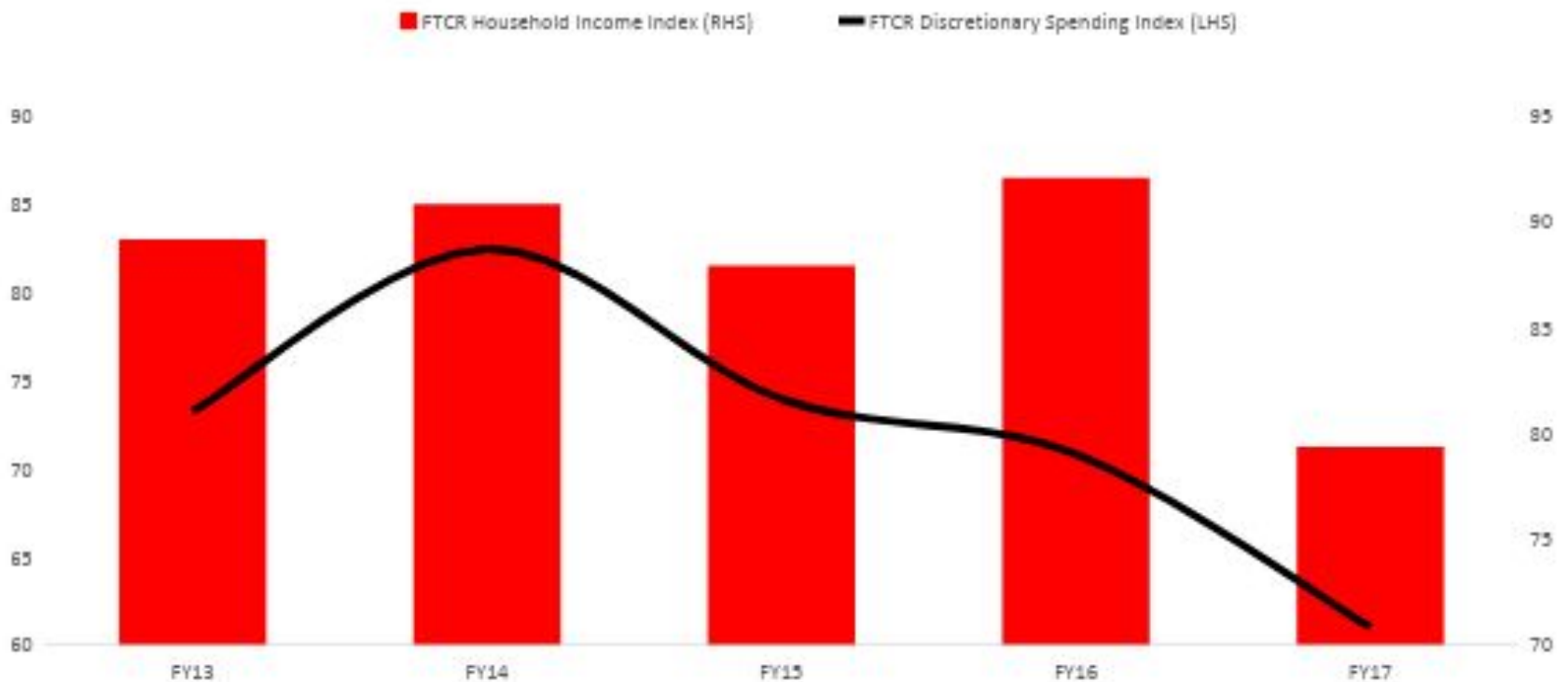
An Attempt to Balance the Budget



Source: Ministry of Finance

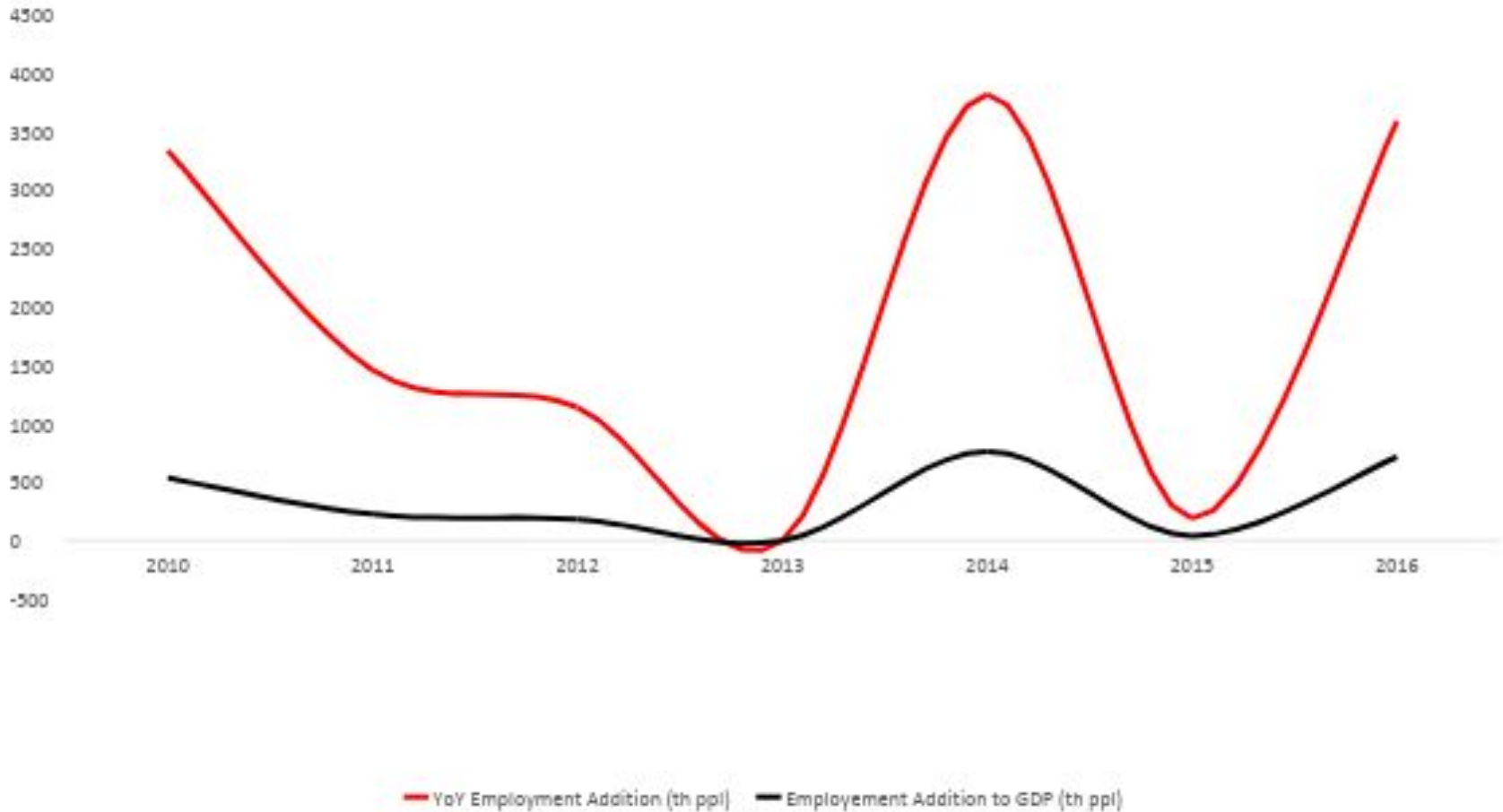
Increase In Tax Revenue Lowers Level of Disposable Income

A Further Negative Impact On The Level of Consumption



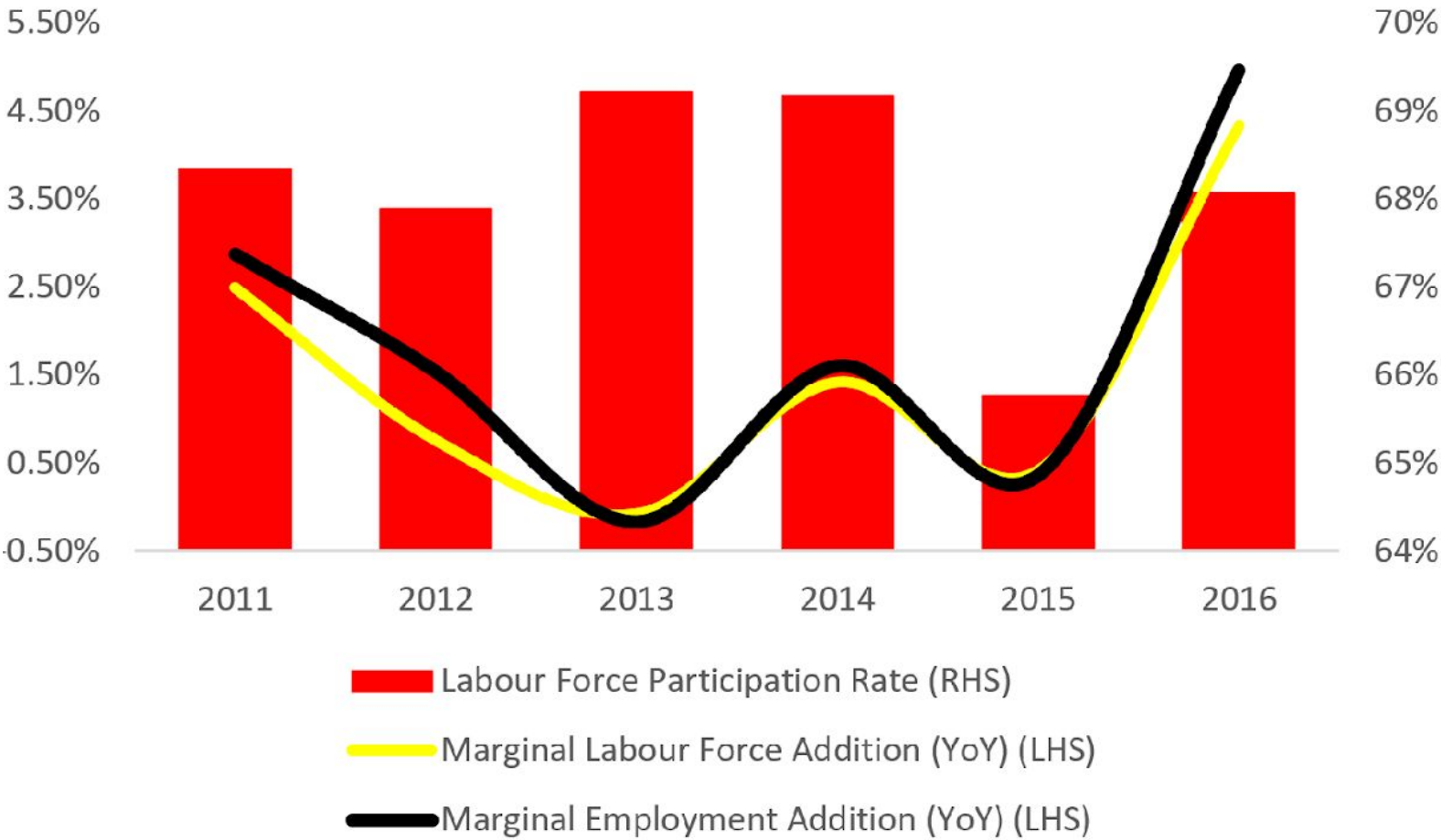
Source: FTCR Confidential Research. Analyst Research

While The Pressure On Number of Employment Increased



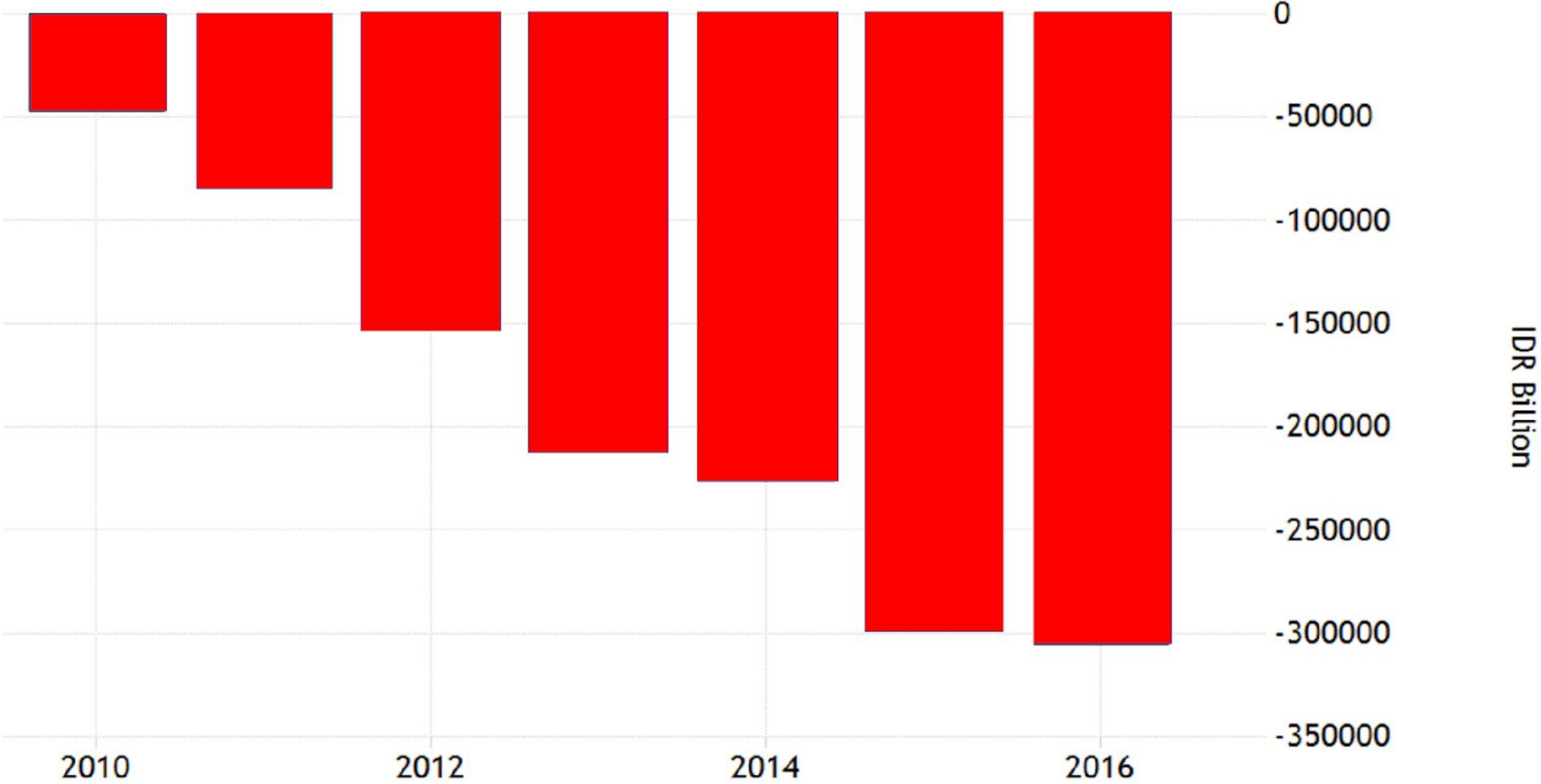
Source: CEIC, Bank Mandiri. Analyst Research

Low GDP Growth Could Not Fully Absorb Employment



Source: UNStat, CEIC, Analyst Research

Negative Multiplier Effect of Government Spending Growth Reduction Resulted An Increase Of Budget Deficit Value



Source: UNStat, CEIC, Analyst Research

Indonesian Fiscal Rebalancing

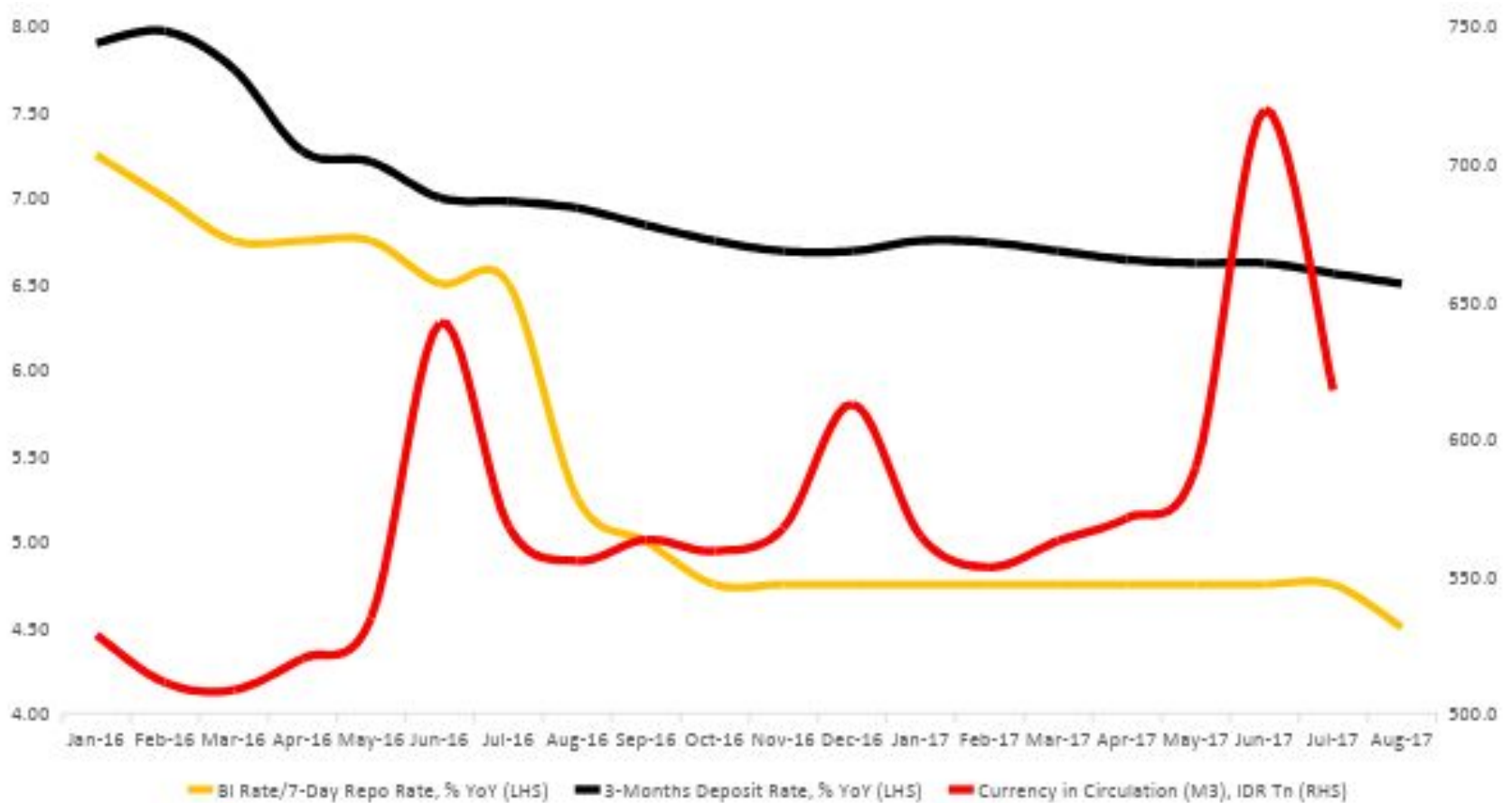
- **All in all, over the last 2 years since FY14, the tax rate, such as Social Security Rates, VAT Growth has increased and growth of Government Fiscal Expenditure has been reduced**
- **As identified above, the government must realise the very high cost of such a policy** would be to make unemployment higher than it otherwise would be.
- **If a policy goal of the Indonesian government were to balance the budget** and suppose this necessitated increasing tax revenues
- **The government would have to decide where on the Laffer Curve, to increase government spending and revenues**



Source: Pixabay

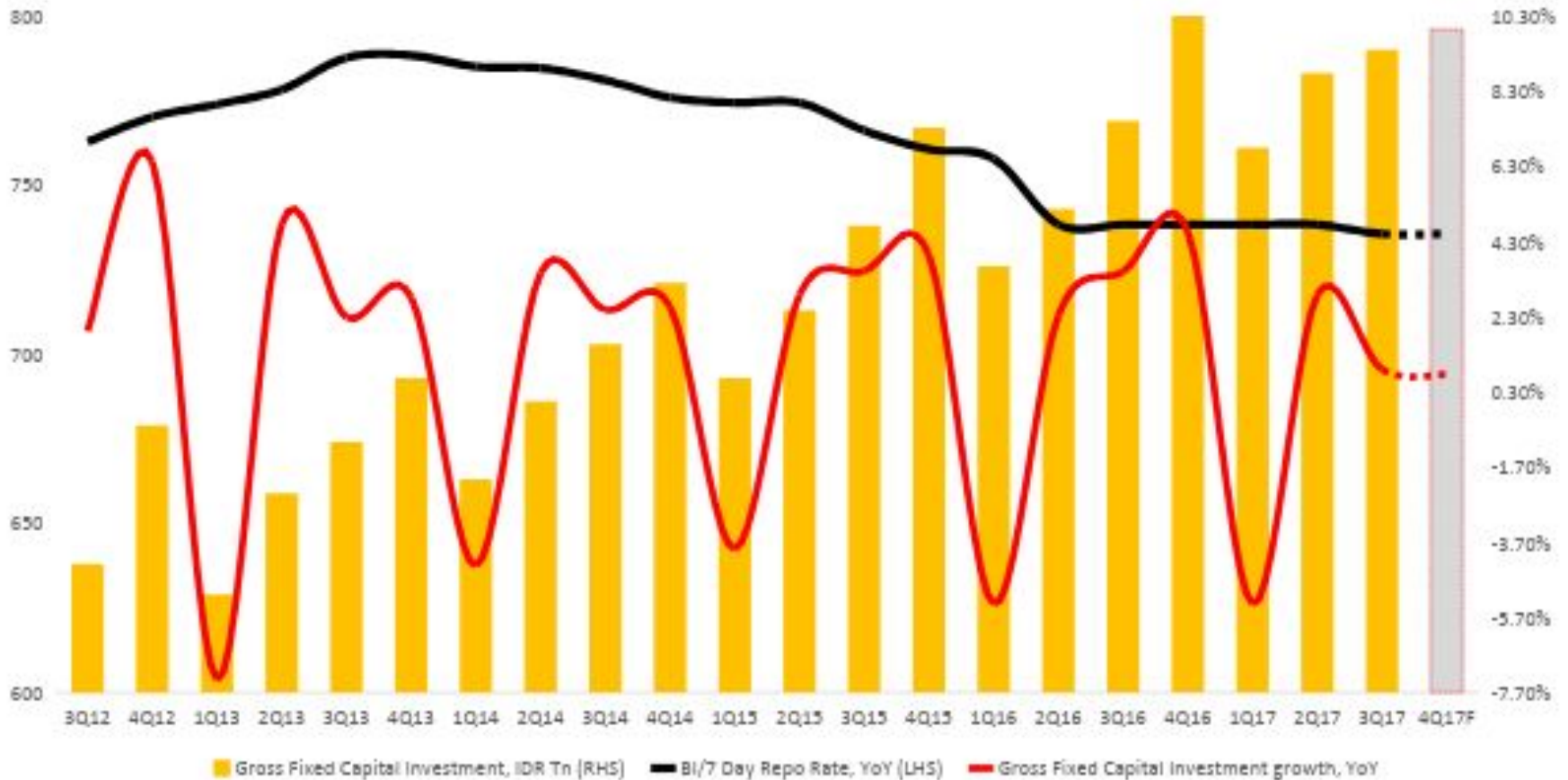
Possible Liquidity Trap?

Bank Indonesia Open Market Policy- as the money supply increases, rates of borrowing falls



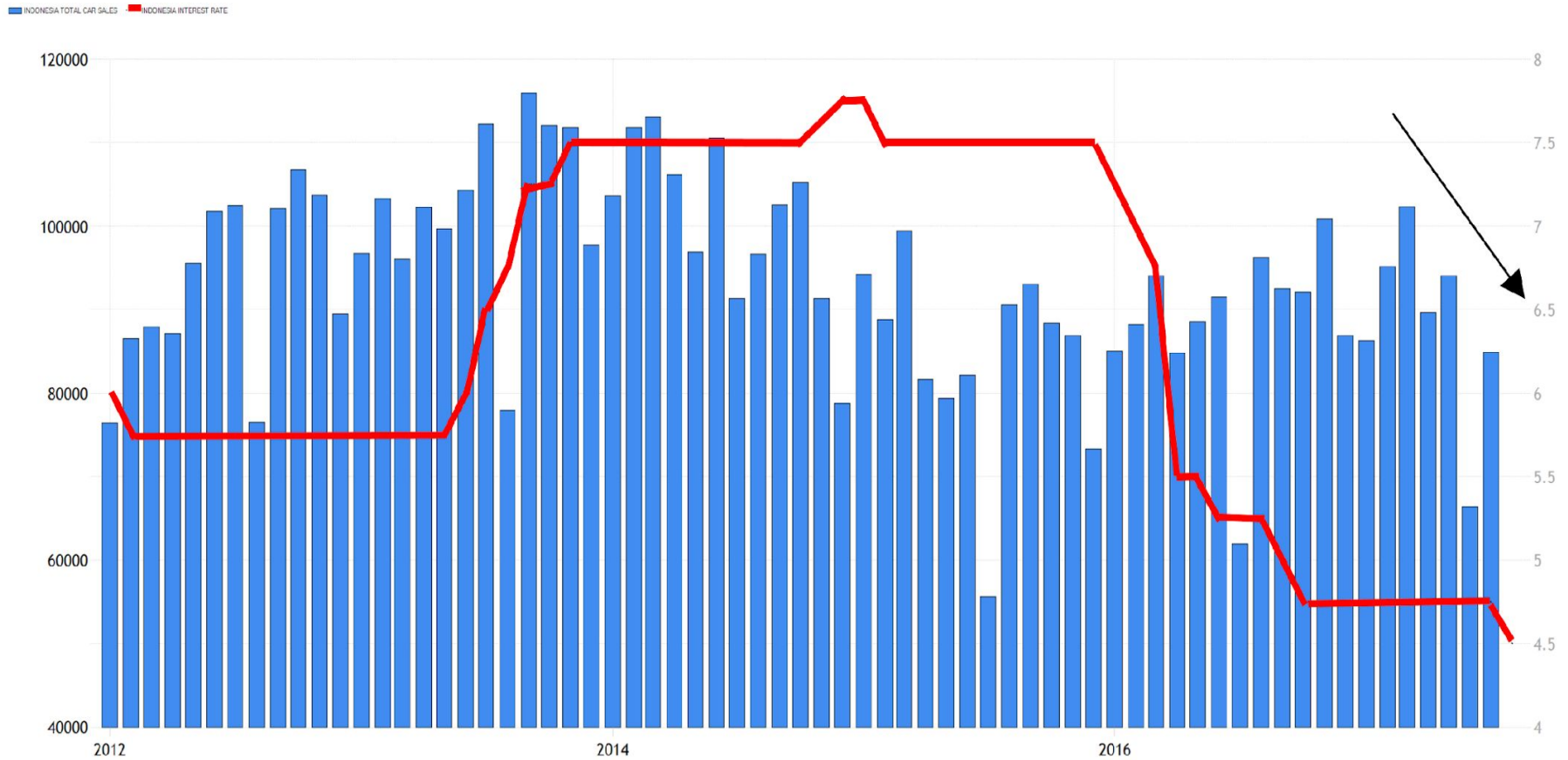
Source: Bank Indonesia, Analyst Research

There Has Been a Low Correlation Between Increase In Investment Expenditure and The Open Market Operation By Bank Indonesia



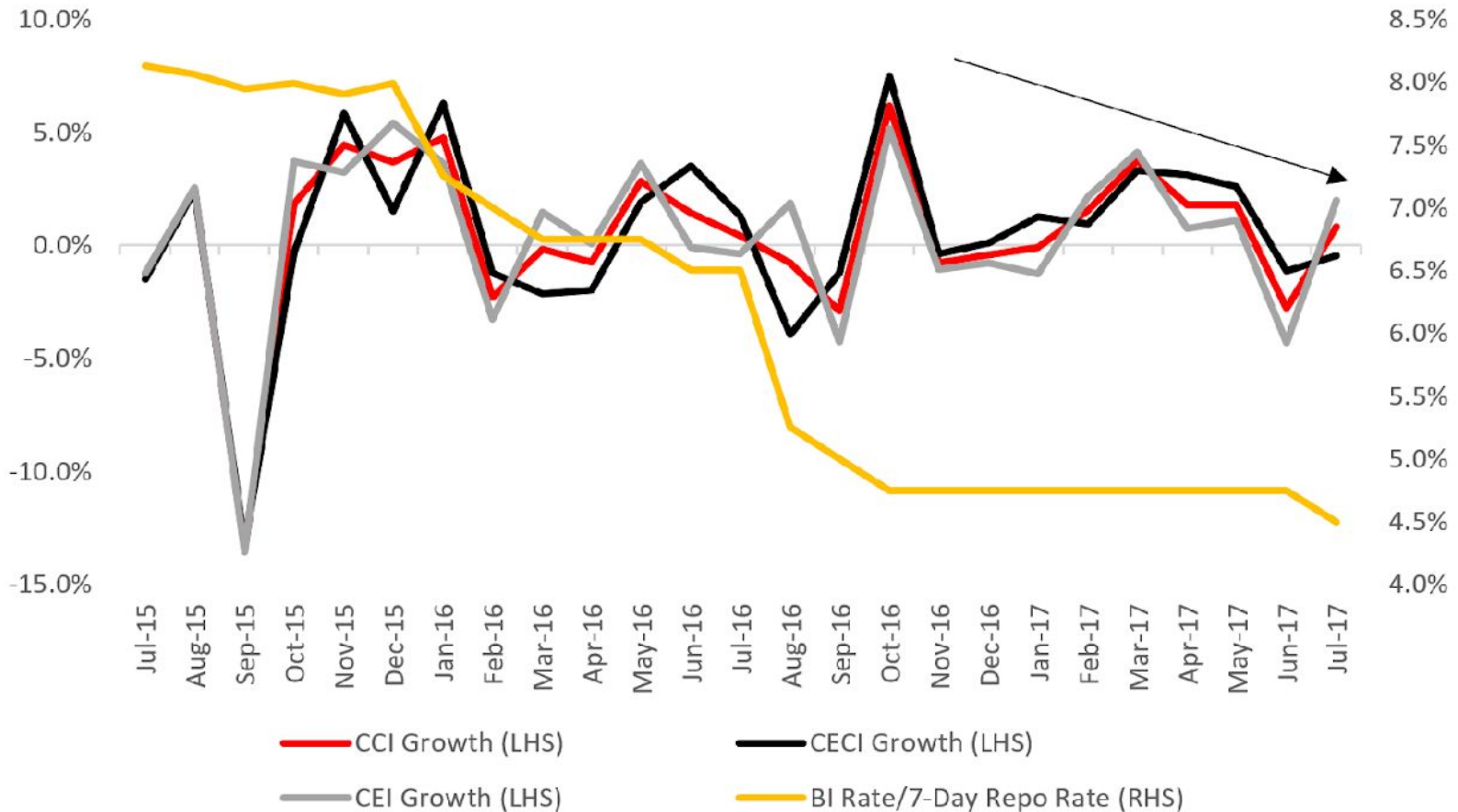
Source: UNStat, CEIC, Analyst Research

While Auto Consumption has also been lower trend



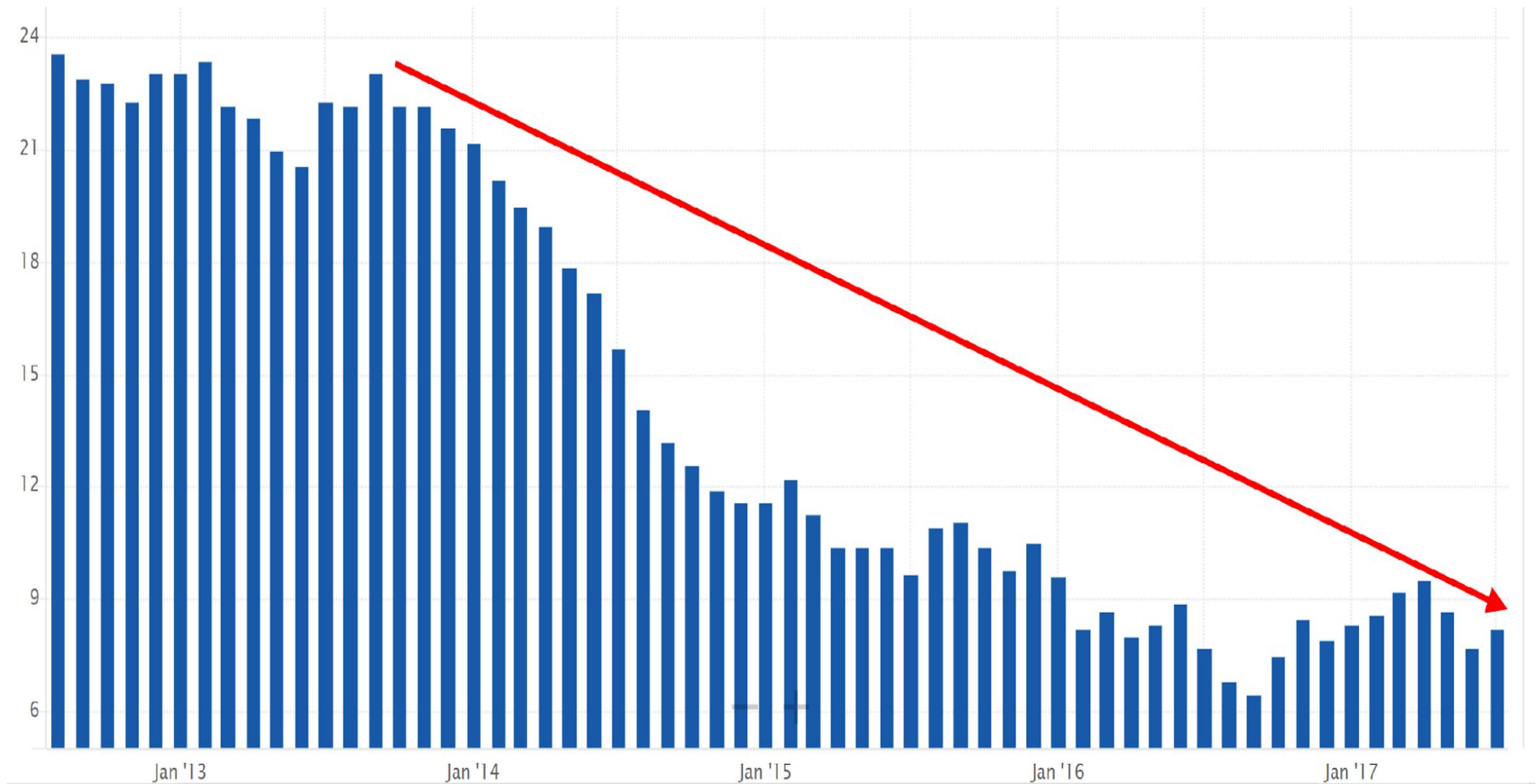
Source: Gaikindo, Analyst Research

Weakening Consumer Confidence Index and Consumer Expectation Index Growth Relative to BI 7/day Repo Rates Benchmarks



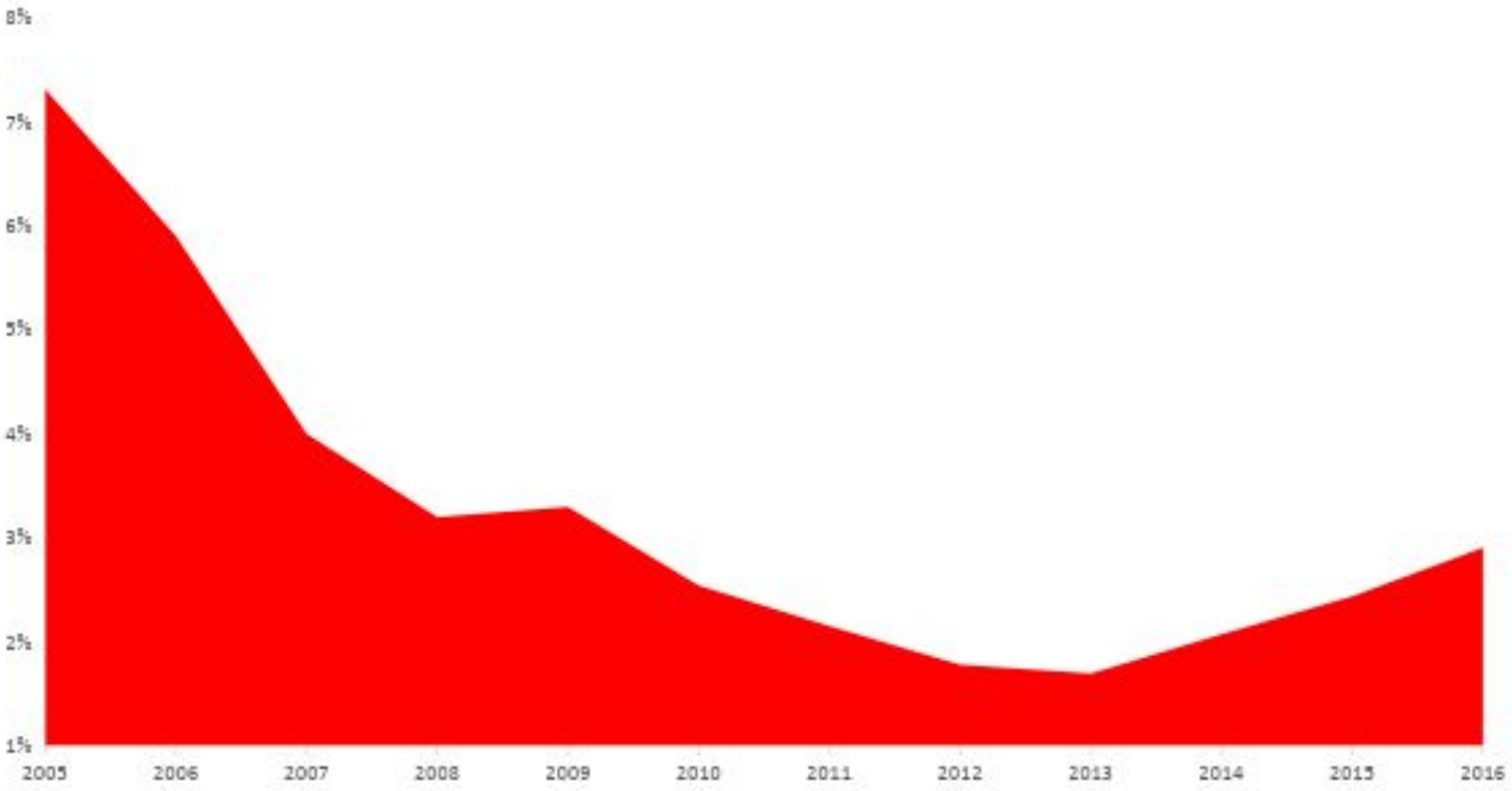
Source: Bank Indonesia, Analyst Research

Lending Growth Weakened Despite Lower Interest Rates



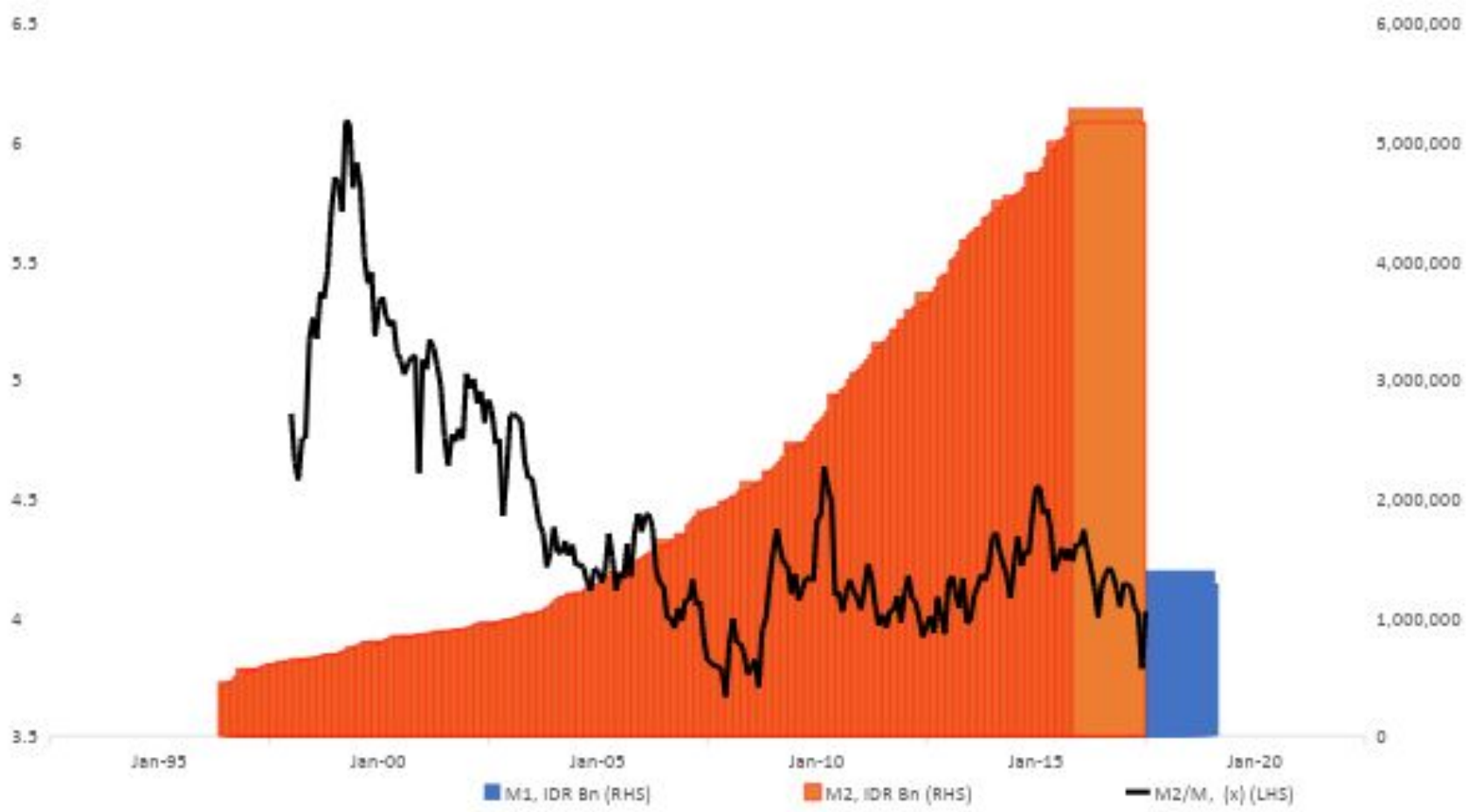
Source: Bank Indonesia, Analyst Research

Increasing Trends of Non-Performing Loans Spike



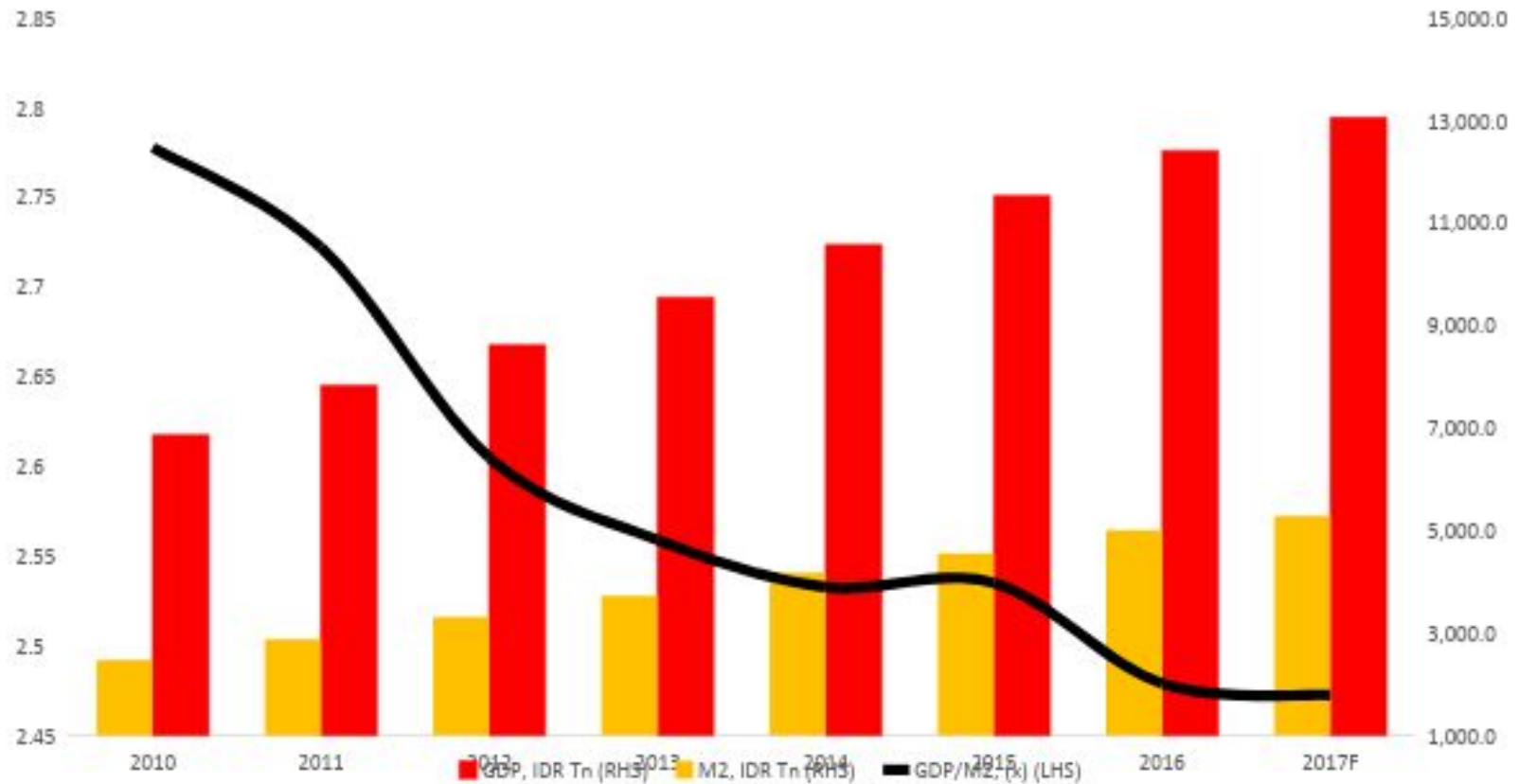
Source: Bank Indonesia, Analyst Research

Weakening Demand of Money In Indonesia



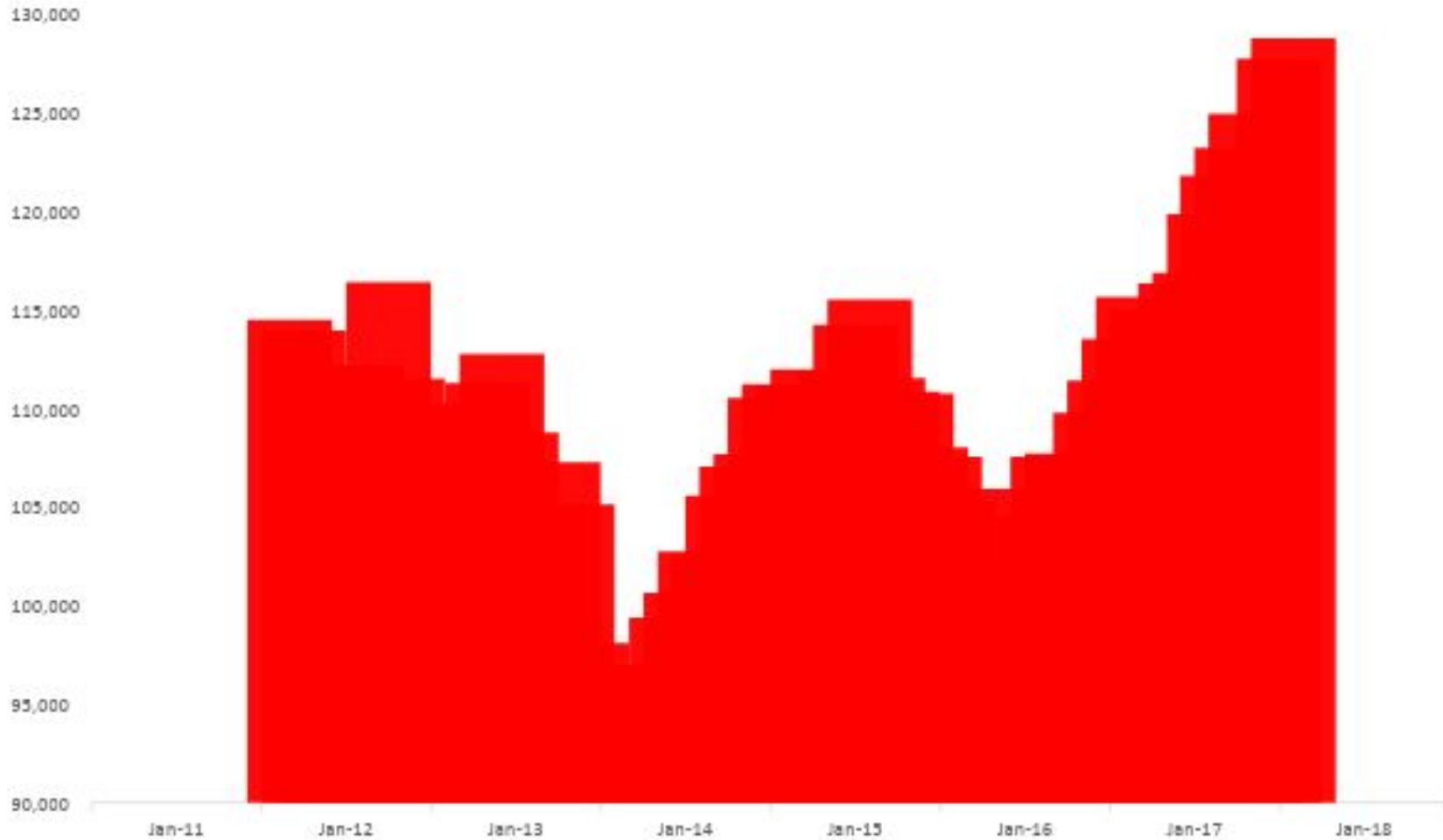
Source: Bank Indonesia, Analyst Research

At the same time, economic velocity of money in Indonesia is now just above 2.4x vs. the high of 2.8x in 2010



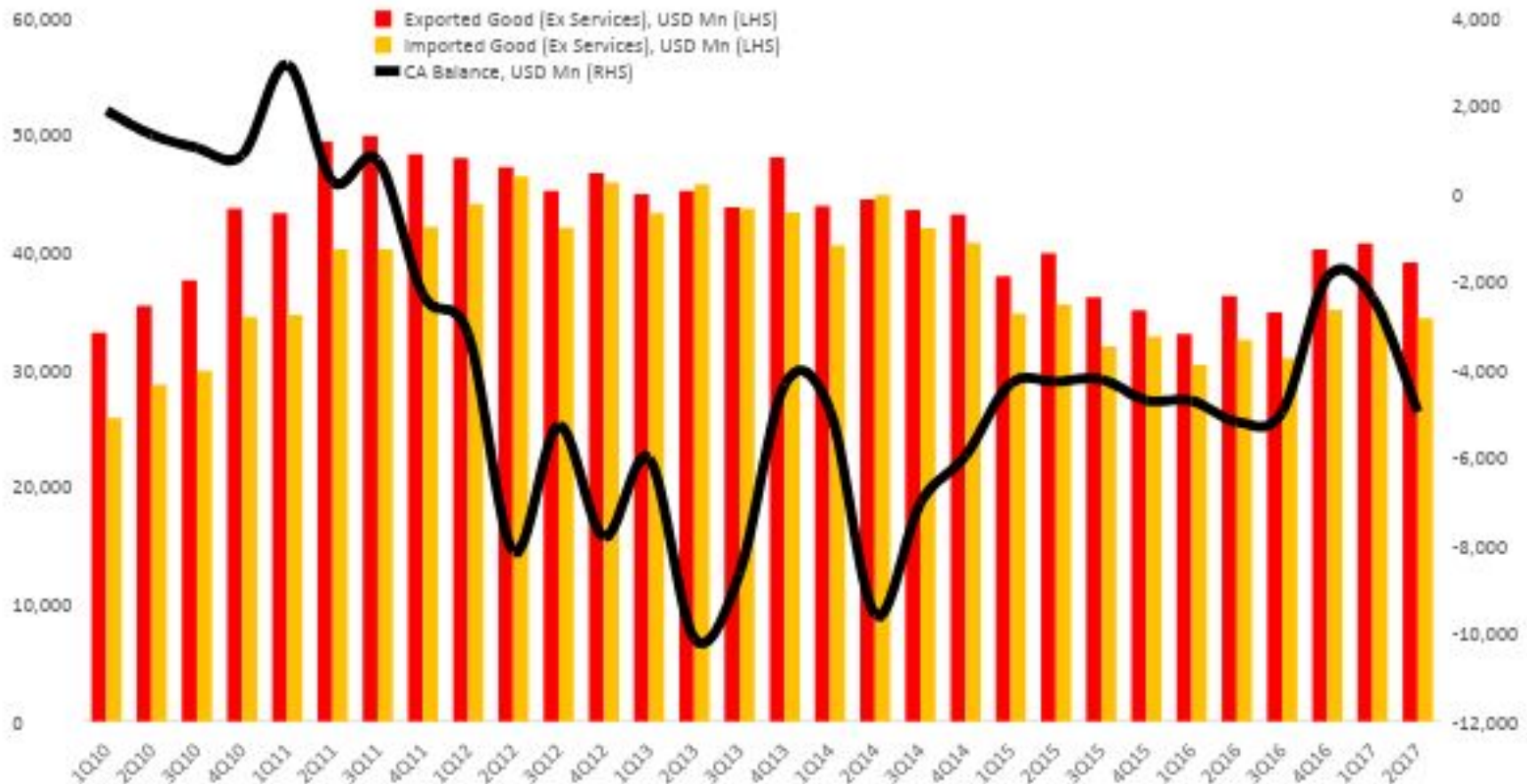
Source: World Bank, Analyst Research

Official Asset Reserves Could Also Show Signs of Liquidity Trap



Source: World Bank, Analyst Research

Extra Money Supply spent on Imports, Showed by Widening Current Account Deficit



Source: Trading Economics, Analyst Research

Key Takeaways : Indonesian Economy

- **Indonesian actual output is currently less than potential output**, as shown by slower domestic demands and credit growth rates due to slower than expected government spending rate compared to those of tax revenue
- **The relationship between the rate of interest and the level of investment in an economy is inverse according to the MEI model**
- **There is an inverse relationship between unemployment and inflation in the short run as described by the Phillips Curve**
- **At this moment in Indonesia interest reduced and nevertheless, private investment has also been slower.**



Index: Indonesian Macroeconomic Indicator



	2012	2013	2014	2015	2016	2017F	2018F
Real GDP (% yoy)	6	5.6	5	4.9	5	5	5.1
Domestic Demand (% yoy)	6.6	5.4	4.6	4.9	4.4	4.5	4.8
Real Consumption: Private (% yoy)	5.5	5.4	5.1	5	5	5	5.1
Real Consumption: Government (% yoy)	4.5	6.7	1.2	5.3	-0.1	5	5.3
Real Gross Fixed Capital Formation (% yoy)	9.1	5	4.6	5	4.5	4.6	4.7
Real Exports (% yoy)	1.6	4.2	1	-2.1	-1.7	1	1.2
Real Imports (% yoy)	8	1.9	2.2	-6.4	-2.3	2	5
GDP (IDR tn) - nominal	8,615.70	9,546.10	10,569.70	11,531.70	12,406.80	13,027.14	13,691.52
GDP (USD bn) - nominal	918.1	915.3	890.8	861.2	932.7	979.34	1,029.28
GDP per capita (USD) - nominal	3,742.40	3,662.40	3,519.80	3,377.10	3,605.00	3,785.25	3,978.30
Exports (% yoy) – Merchandise	-2.2	-2.7	-3.6	-15	-3.2	-1	-3
Imports (% yoy) - Merchandise	13.6	-1.3	-4.5	-20	-4.6	6.5	10
Trade Balance (US\$ bn)	8.7	5.8	7.0	4	15.4	12.2	7.7
Current Account (% of GDP)	-2.7	-3.2	-3.1	-2	-1.8	-2.2	-2.5
Current Account (USD bn)	-24.4	-29.1	-27.5	-17.5	-16.3	-23	-29
External Debt (% of GDP)	27.5	29.1	32.9	36	34.7	36	37
International Reserves (USD bn)	112.8	99.4	111.9	106	116	120	125
Import cover (months)	7.6	6.8	8	9.4	10.8	8.52	8.75
IDR/USD (period average)	9,380	10,452	11,878	13,392	13,308	13,450	13,250
IDR/USD (year end)	9,670	12,189	12,440	13,795	13,436	13,400	13,200
Other BI rate (% year end)			5.75	7.5	7.75		
BI 7 days reverse repo rate (% year end)				----	4.75	4.5	4.5
Headline Inflation (% yoy, period average)	4	6.4	6.4	6.4	3.5	3.5	4
Headline Inflation (% yoy, year end)	3.78	8.08	8.36	3.35	3.02	3.5	3.98
Fiscal Balance (% of GDP)	-1.9	-2.2	-2.3	-2.6	-2.5	-2.8	-2.85
S&P/Moody's Ratings	BB+/Baa3	BB+/Baa3	BB+/Baa3	BB+/Baa3	BB+/Baa3	BBB-	BBB-
10-year government bond yield	5.2	8.5	7.8	8.7	8		
DXY Index	79.8	80	90.3	98.6	102.2		

What does this mean for Investors?

- **Lower expectations of a strong global stock market performance**, including IHSG going forward
- **Long and Low Global Interest Rates might come to an end**, driving volatility in the market
- **Probable upside surprise of an extended cycle**, requires moving forward from status quo such as Tax Reform
- **Focus on our time horizon and risk tolerance**
 - Perhaps time to rebalance towards other asset classes other than Equity
 - Reassess the opportunity for PPUKP/DPLK Pension Benefits as a holistic plans as demographic aged
- **The market cannot precise for little involvement rates or active over one's earnings.**



ASSET CLASS EXPECTATIONS

- Long Run = Smooth Annual Return, Short Run = Bumpier
- Market timers frequently sell too late and buy too late, only a small number of investors realise return from “buy and hold”
- A well diversified portfolio with global coverage and diversity of asset classes, such as Real Estate Investment Trusts can smooth out the rough crashes (bumps)



Раздел 2 : Обзор Shinoken Group

Надежный партнер- Shinoken Group

- Shinoken Group ((TYO: 8909) is a Japanese professional services and investment management holding company specializing in construction and real estate related businesses
- Shinoken Group provides Japanese Quality Management, backed by self-confidence based on high achievement, stable management, robust financial capacity, strong group capabilities with Japanese characters.
- Shinoken Group has solid geographical diversification outside its core business in Japan, with global footprints in Shanghai, Hong Kong, Singapore, and Jakarta

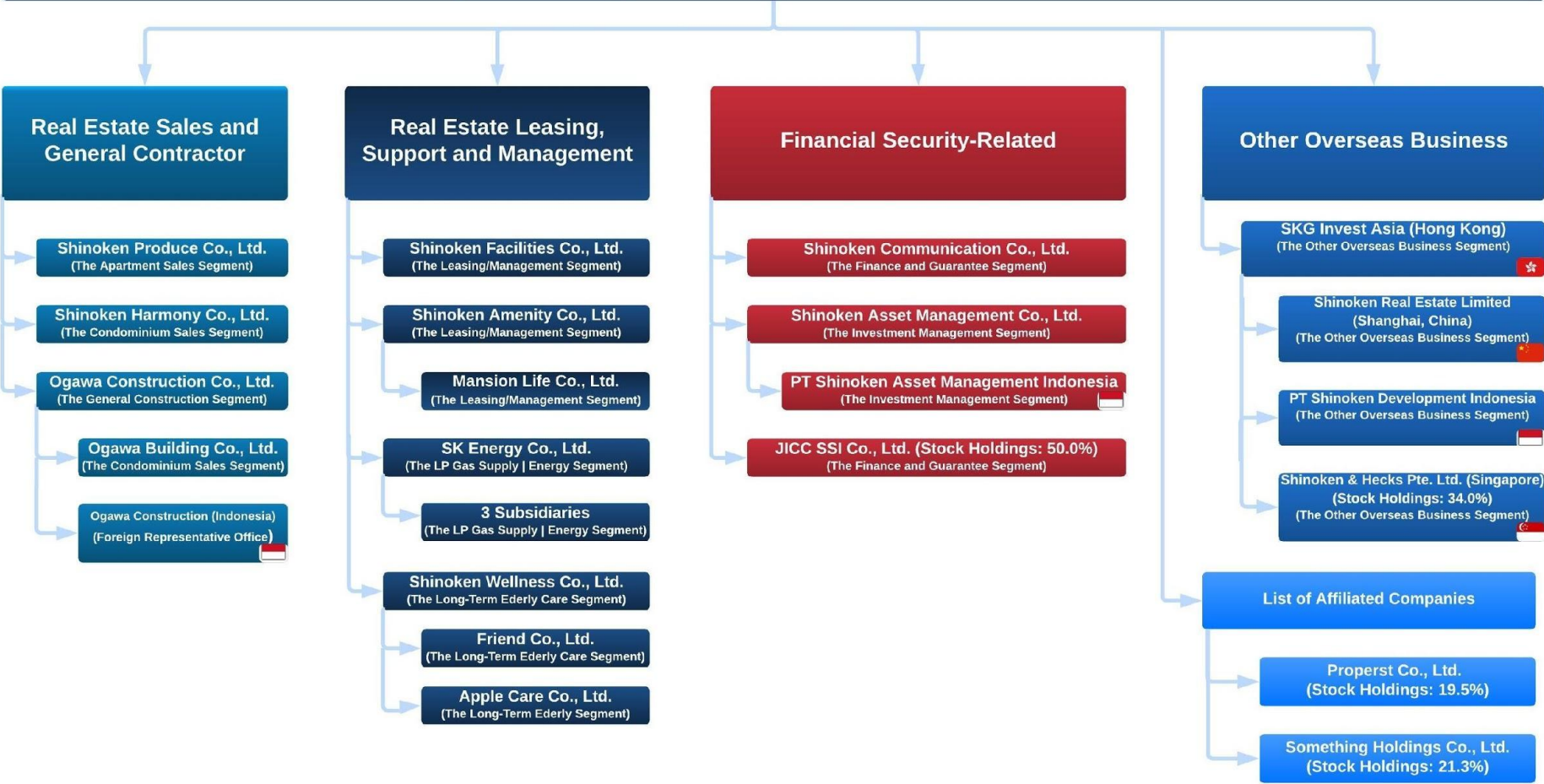
Shinoken Group Information

Native Name	株式会社シノケングループ				
Romanized Name	Shinoken Group Inc.				
Type	Public Listed Company (K.K.) Traded As : (TYO: 8909)				
Industry	Real Estate				
Headquarters	1 - 1 Tenjin 1 - chome, Chuo - ku , Fukuoka-shi , Fukuoka, Japan 810-0001				
Key People	1. Hideaki Shinohara (President, Chairman of Subsidiary, Representative Director) 2. Yoshiaki Miura (Managing Executive Officer, Director) 3. Junichi Tsurukawa (Managing Executive Officer, Director)				
Products	Property Development , General Construction , Property / Leasing Management, Rent Payment Guarantee , LP Gas / Electric Power Supply , Housing Insurance, Elderly Care / Senior Housing Business , Property Agency , Asset / Investment Management				
Founded	5 th June 1990				
Number of Employees	866 (As of Dec. 2017)				
Financial Results		Net Sales		Total Assets	
	FY2017 (Estimated)	JPY 105,936 mio	(GBP 695.96 mio)	JPY 90,973 mio	(GBP 597.65 mio)
	FY2016 (Actual)	JPY 81,294 mio	(GBP 563.37 mio)	JPY 72,273 mio	(GBP 500.85 mio)

Group Structure of Shinoken



Shinoken Group Inc.
 (Holding Company)



Основная деятельность Shinoken в Японии



Areas that can achieve Continuous High Occupancy
=Steady Rent Income



Within 10 minutes walking distance from a train station

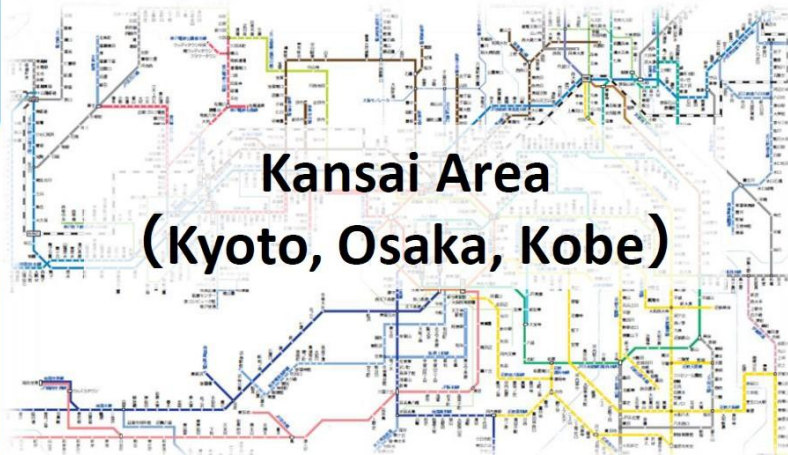
Single household population shows a growth trend
Still more land that can be cultivated



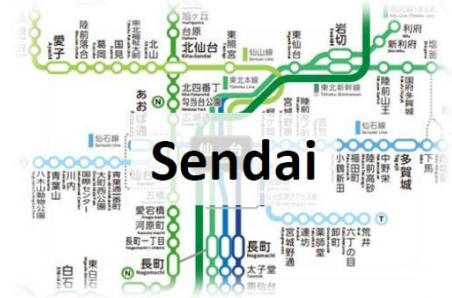
Purchase and hold prime condition land, and sell together with the Apartment building



Tokyo Area
(Tokyo, Kanagawa, Chiba)



Kansai Area
(Kyoto, Osaka, Kobe)



Sendai



Nagoya



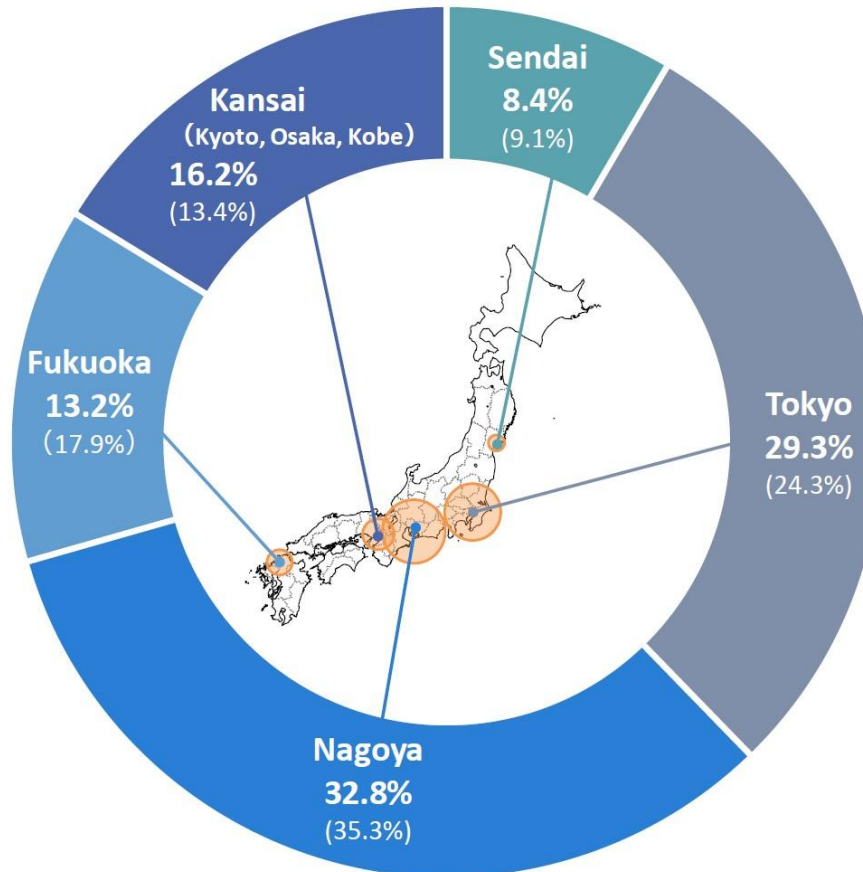
Fukuoka

Основная деятельность Shinoken В Японии



Both New Standard "BRICK" & New Standard "PLATFORM" won the award for Design, Functionality and Concept

FY2017.12 Share of each area
(FY2016.12)



Projects (Partial)



Projects (Partial)

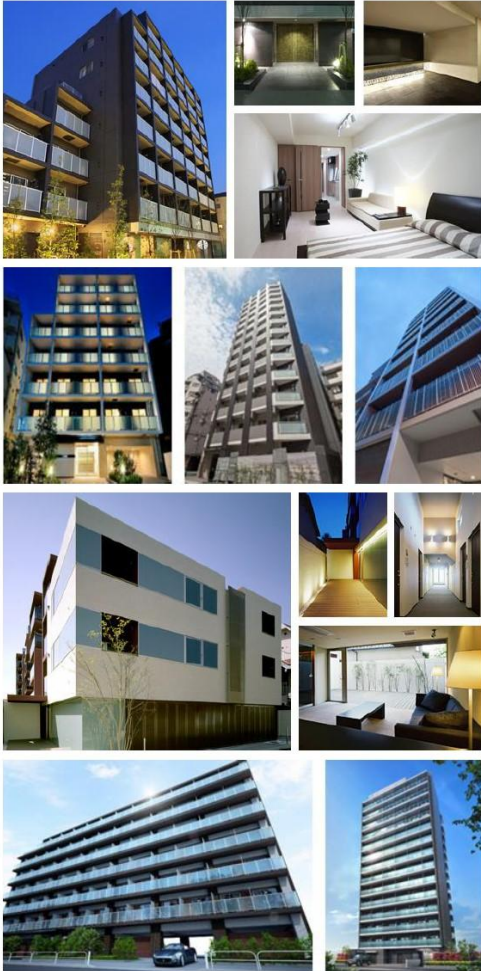


Опыт в строительстве кондоминиум

организации и продаже апартаментов



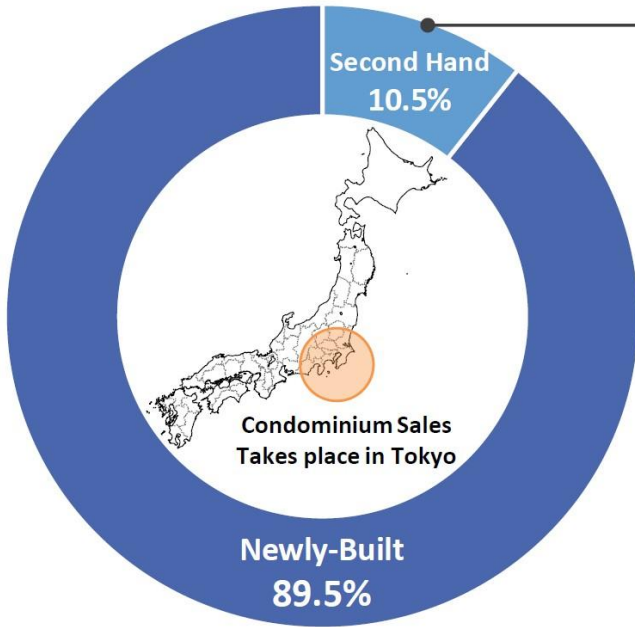
Projects (Partial)



Purchasing decent land within the Capital area,
Planning and Developing Condominiums for single households

Since Condominiums are relatively lower price than Apartments,
they work as introductory products for the investors.

FY2017.12 Condominium Sales
Newly Built and Second Hand



【Our new strategy in Minato, Chiyoda, Chuo wards, etc.】
Renovation × Condominium



For Lower Prices
Carefully selecting High-Quality establishments that are old but high demand for renting out

Not a mere "Repair"
Full-Renovation Initiated by Shinoken

Meets both needs of both Owner and Tenant
Good Location and High Revenue Potential Ideal as a Condominium for Investment

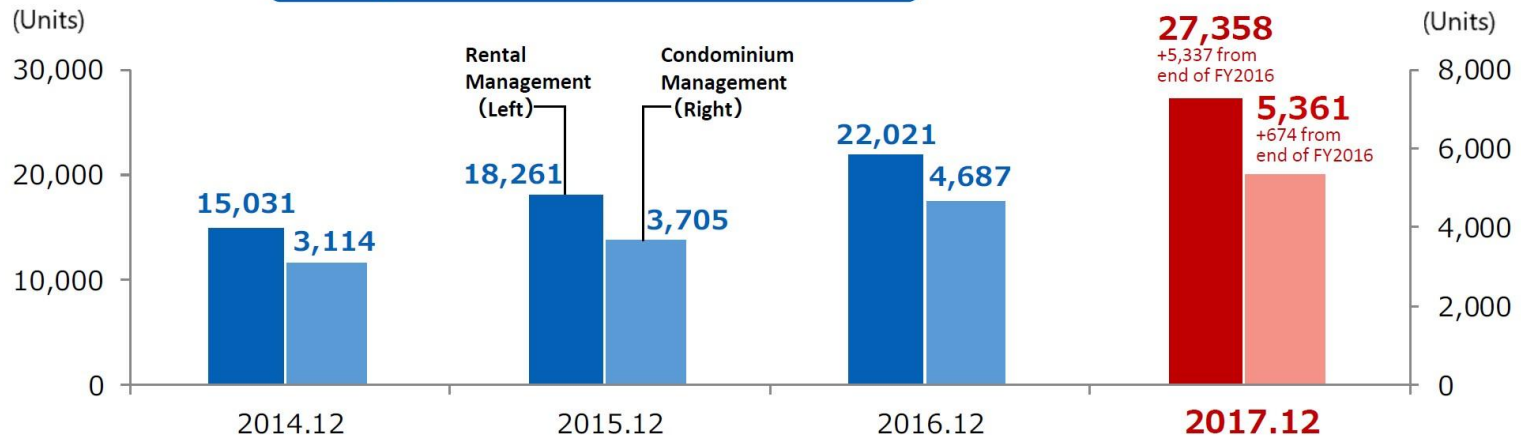
Бизнес по обслуживанию и сдаче в аренду апартаментов Shinoken в Японии



Высокий рейтинг недвижимости и удерживающийся показатель заселения

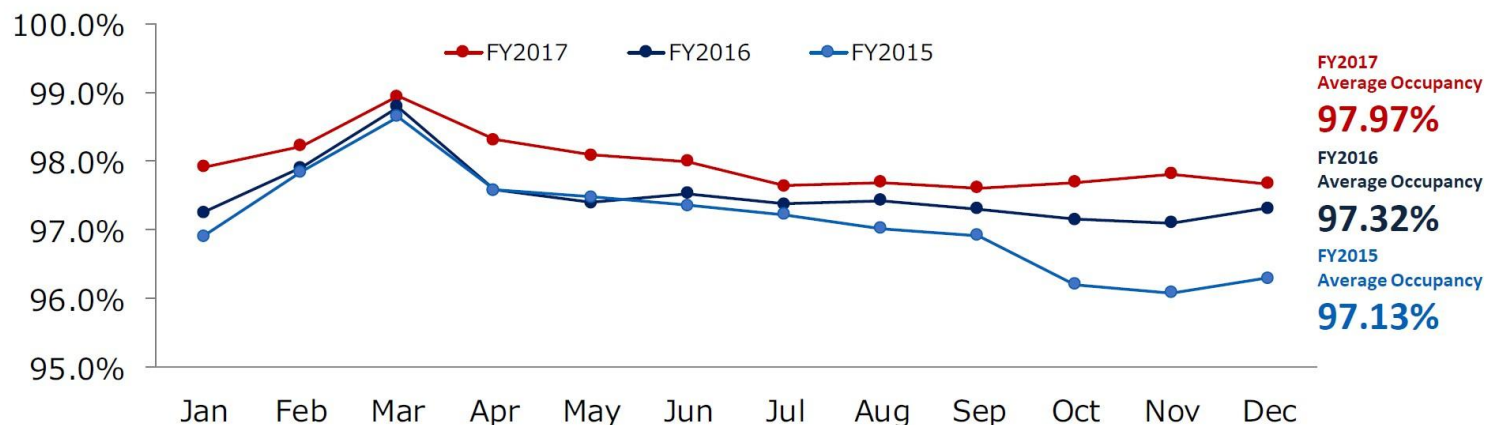
[Number of Units]

Steady increase in accordance with sales



[Occupancy Rates]

Nearly 98%, Including the rooms from our Establishment era



Присутствие Shinoken Group В Азии



China and Singapore : Real Estate / Rental Brokerage

Indonesia: Construction and Real Estate Development

Singapore

Real Estate / Rental Brokerage

Shinoken & Hecks

- Real Estate / Rental Brokerage
- Rental brokerage for Japanese expats
- Real Estate sales for local wealthy consumers



China

Real Estate / Rental Brokerage

SHINOKEN REAL ESTATE (SHANGHAI)

- Rental brokerage for Japanese expats
- Real Estate sales for local wealthy consumers



Indonesia

Construction

OGAWA Construction Rep Office

- Advisory to Local General Contractors
- JO for Government/Private projects

Real Estate Development, Planning, Sales

PT. Shinoken Development Indonesia

- Apartment Development



Деятельность Shinoken в Индонезии осуществляется с 2005 года



Office set up in "Wisma 46", the landmark building in Central Jakarta



Деятельность Shinoken В Индонезии

- Компания Shinoken начала осуществление своей деятельности в Индонезии через строительное подразделение, сформировав альянс с локальными подрядными компаниями.
- Компания Shinoken учредила организацию по разработке объектов недвижимости, которая в настоящее время располагает 5-ю комплексами, расположенными в премиум районах Джакарты.

**Developing an Integrated system
from Development to Construction
within the central Jakarta Area**

**Formulating the same
Stock Business Structure
as in Japan**

Purchasing Land



Construction



Completion / Handover



**Management
Leasing
Follow-up**

**Developing a primary source of revenue in the highly growing
Indonesian Market**

Управление активами Shinoken



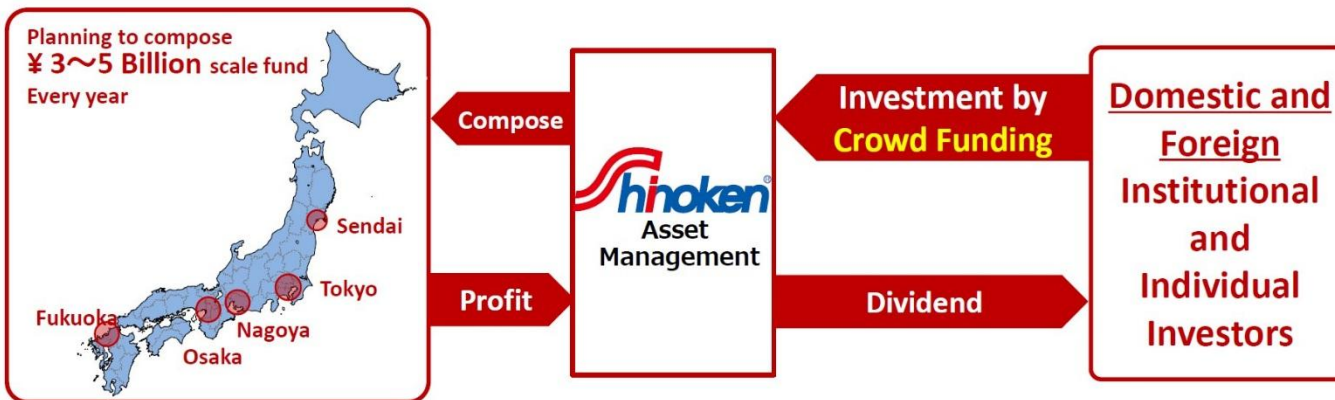
- Shinoken Group has newly established Real Estate Fund Business, Shinoken Asset Management Co., Ltd. (Head Office: Fukuoka, Japan)
- Shinoken Asset Management Co., Ltd. provides Property Related Fund Administration and Investment Management Services for both Domestic and Foreign Investors.

Shinoken Asset Management Co. Ltd., has newly launched 『HTT-1 Fund』, an Townhouse Fund for Institutional Investors in Japan.

20 of our “Harmony Terrace” Apartments in central Tokyo, with the scale of ¥ 3 Billion



Further acceleration in our Existing Business Areas



Управление активами Shinoken В Индонезии



- PT Shinoken Asset Management Indonesia (SAMI) is a subsidiary of Shinoken Asset Management Co. Ltd., that aims to produce premium property related investment product range, such as Real Estate Investment Trusts and Private Equity Funds (RDPT).
- PT Shinoken Asset Management Indonesia was established as part of Shinoken Group's Strategy to defend its position in the Japanese market and capitalise on emerging marketing opportunities, such as distributing Indonesian Property Related Funds to The Global Capital Market.

Shinoken Asset Management Indonesia Information

Name	PT Shinoken Asset Management Indonesia		
Type	Limited Company (Subsidiary of Shinoken Asset Management Co. Ltd.)		
Industry	Investment Management		
Headquarters	Wisma 46 Kota BNI, 24th Floor, Jl. Jend Sudirman KaV. 1 Jakarta 10220 Indonesia		
Key People	1. Hiroshi Uesaka (Chairman) 2. Marzuki Usman (Independent Commissioner) 3. Antonious Budiarmoko (President Director) 4. Aditya Soekarno A.R. (Managing Director)		
Products	Real Estate Investment Trusts (KIK-DIRE), Private Equity Funds (RDPT), and Fixed Income Funds		
Founded	2018		
Shareholders	Shinoken Asset Management Co. Ltd., PT Moores Rowland Investasi		
Financial Results	Total Assets Under Management		
	FY2018 (Estimate)	IDR xx bio	(GBP xx mio)

Раздел 3: Инвестиционный план

Продукты наших инвестиций



- PT Shinoken Asset Management Indonesia (SAMI) is a “Boutique Investment Management Firm” that focuses on property related investment products, which are: Real Estate Investment Trusts (KIK-DIRE) and Private Equity Funds (RDPT).

Investment Management Products in Indonesia

Conventional Investments

Equity Mutual Funds

Fixed Income Mutual Funds

Balanced Mutual Funds

Equity Index Funds

Capital Protected Fund

Money Market Funds

Alternative Investments



Private Equity Funds

Collective Investment Contract (Limited Partnership)

Native Name: Reksa Dana Penyertaan Terbatas (RDPT)

Real Estate Investment Trusts

Collective Investment Contract (Limited Partnership)

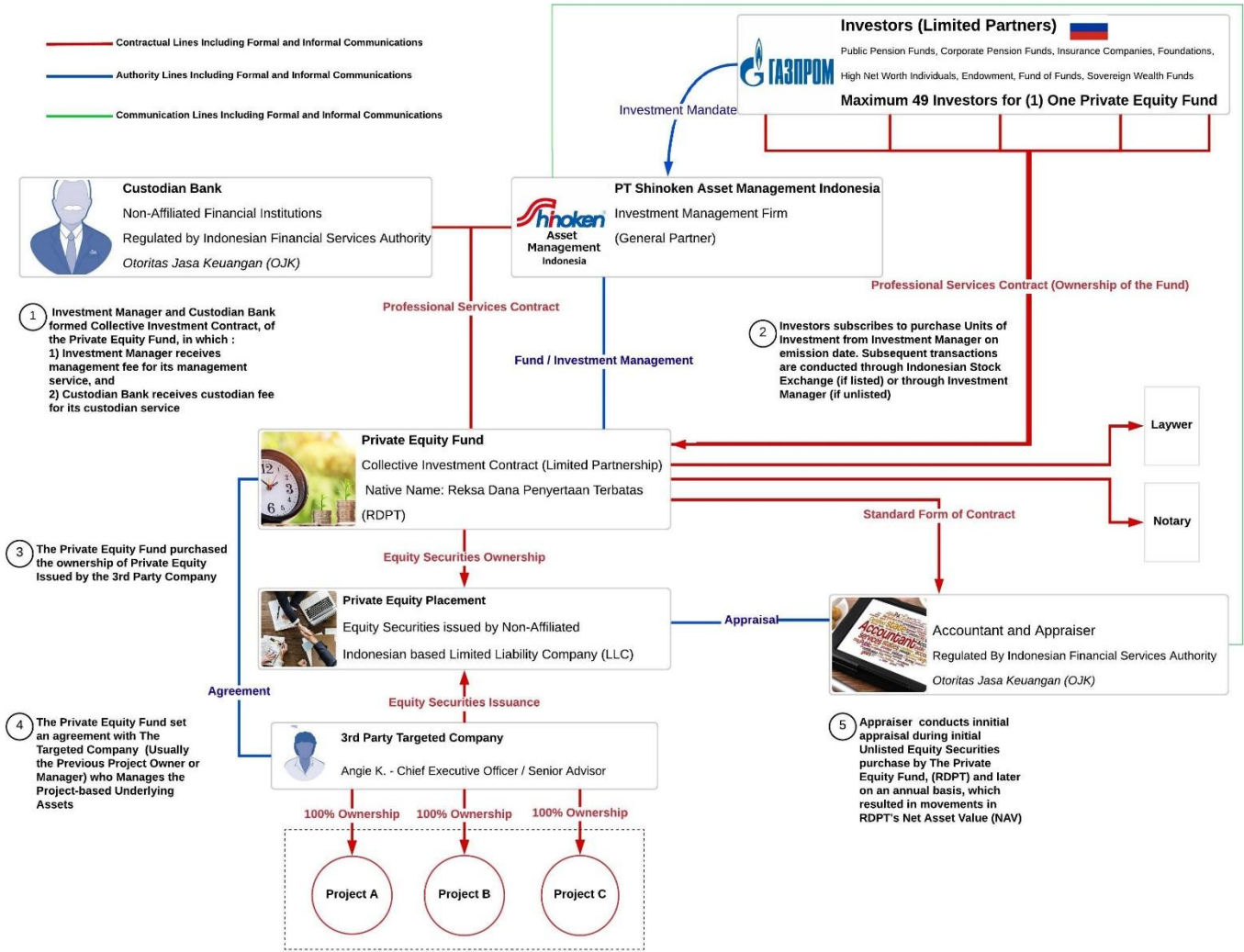
Native Name: Kontrak Investasi Kolektif Dana Investasi Real Estat (KIK-DIRE)

Продукты инвестиций | Private Equity –(RDPT)



Japanese Quality

Private Equity Fund Investment Scheme



Pilot Projects Example of Underlying Assets REITs (KIK-DIRE)



桜 Terrace (Sakura Terrace Serviced Apartments)

Project #1 Conceptual drawing



Project #2 Conceptual drawing



Project #3 Conceptual drawing



Project #4 Land



Project #1 Construction Site



Project #5 Land



Why REITs: Investment Rationale Behind Real Estate Investment Trusts (REITs)

Asia Ex-Japan REITs (Including Indonesian) as an Alternative Asset Class Provide Risk Diversification Benefits to Investors



- Asia Ex-Japan REITs historically have relatively weak correlation with other popular investments such as US bonds (0.29), commodities (0.41), and US equities (0.57) over roughly the past 10 Years
- They also offer impending risk diversification advantages for foreign investors holding Asian bonds (0.71) and Asian equities (0.80)

10 Years Asset Class Correlation Between Asian Ex-Japan REITS and Major Asset Classes

	Asia Ex Japan REITS	World Equities	Global Bonds	US Equities	US Bonds	Asian Equities	Asian Bonds	Emerging Market Equities	Emerging Market Bonds	Commodities
Asia Ex Japan REITS	1.00									
World Equities	0.65	1.00								
Global Bonds	0.71	0.62	1.00							
US Equities	0.57	0.97	0.49	1.00						
US Bonds	0.29	-0.06	0.59	-0.12	1.00					
Asian Equities	0.80	0.82	0.68	0.74	0.12	1.00				
Asian Bonds	0.71	0.45	0.80	0.35	0.65	0.63	1.00			
Emerging Market Equities	0.79	0.84	0.70	0.77	0.09	0.98	0.62	1.00		
Emerging Market Bonds	0.74	0.55	0.79	0.44	0.54	0.68	0.90	0.70	1.00	
Commodities	0.41	0.57	0.34	0.54	-0.27	0.48	0.09	0.55	0.25	1.00

Source: Bloomberg as of September 2017. Asset classes represented by: Asia Pacific REITs = S&P Asia Pacific REIT ex Japan TR Index, World Equities = MSCI World GR USD Index, Global Bonds = BofAML Global Corporate Index, US Equities = S&P 500 TR Index, US Bonds = BofAML US Corporate and Government Index, Asia Equities = MSCI AC Asia ex Japan GR USD Index, Asia Bonds = JPMorgan Asia Credit USD Index, Emerging Market Equities = MSCI EM GR USD Index, Emerging Market Bonds = JPMorgan EMBI Global TR USD Index, Commodities = S&P GSCI TR USD Index Source: Bloomberg 31 October 2017, Monthly returns in USD.

4 Bloomberg as of September 2017.

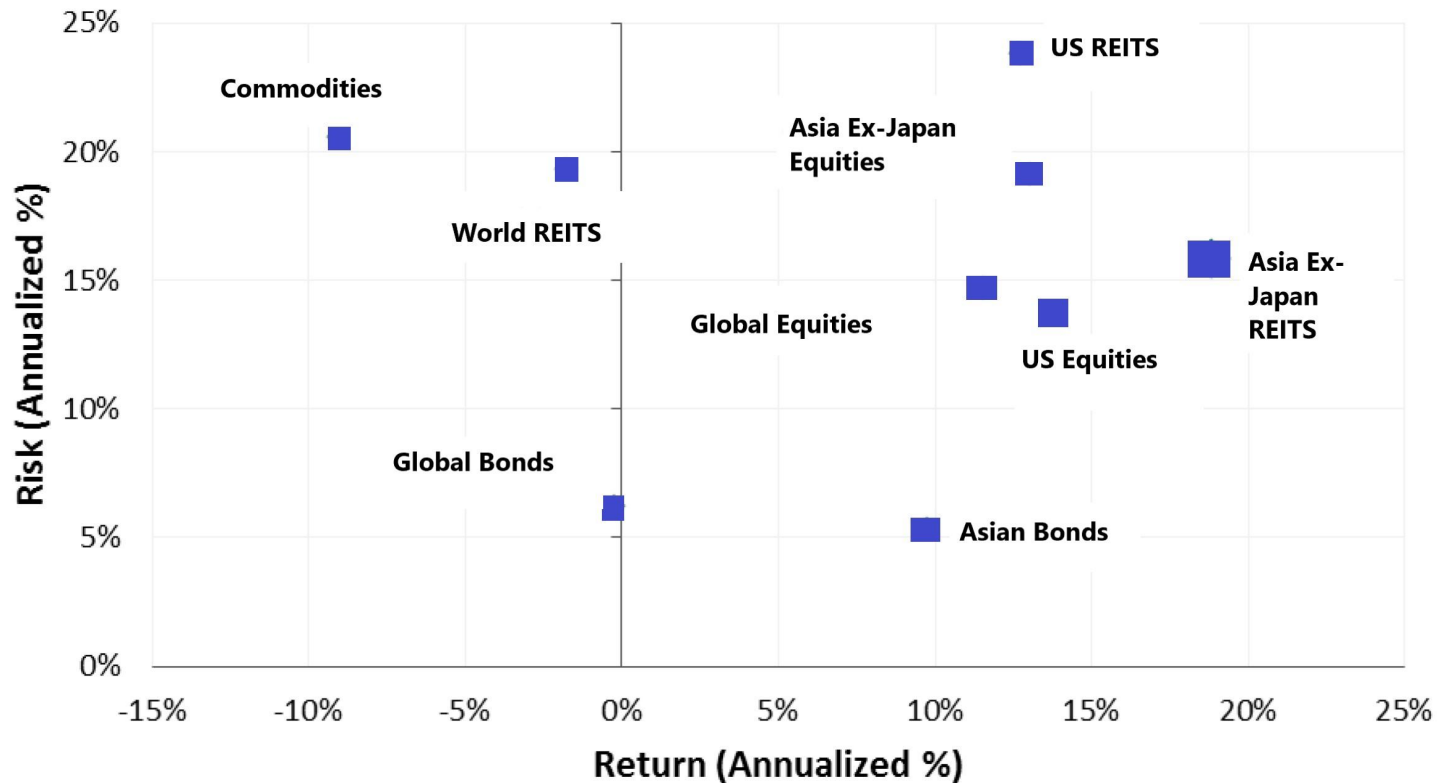
5 Bloomberg, correlation table covers October 2008 to September 2017

MAM

Asia REITs (Including Indonesia) Offers Attractive Risk Adjusted Returns on Capital



- Asia REITs (Including Indonesia) deliver high risk-adjusted returns versus other asset classes roughly over the past 10 Years
- Highest annualized return amongst the observed asset classes over the time period, with lower annualized volatility vs. other REITs (World and The US), commodities, and Asia- Pacific (ex-Japa



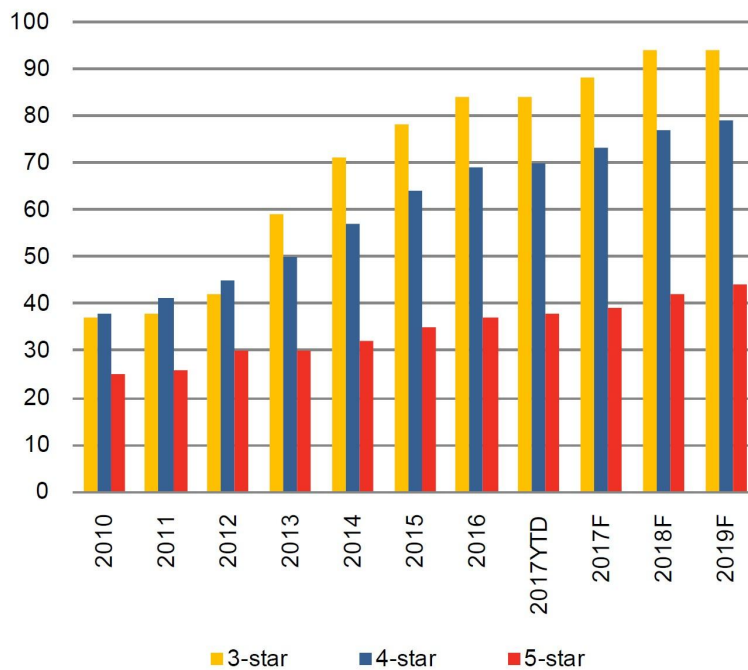
Source: Bloomberg as of September 2017. Asset classes represented by: Asia Pacific REITs = S&P Asia Pacific REIT ex Japan TR Index, WorldEquities = MSCI World GR USD Index, Global Bonds = BofAML Global Corporate Index, US Equities = S&P 500 TR Index, US Bonds = BofAML US Corporate and Government Index, Asia Equities = MSCI AC Asia ex Japan GR USD Index, Asia Bonds = JPMorgan Asia Credit USD Index, Emerging Market Equities = MSCI EM GR USD Index, Emerging Market Bonds = JPMorgan EMBI Global TR USD Index, Commodities = S&P GSCI TR USD Index Source: Bloomberg 31 October 2017, Monthly returns in USD. 4 Bloomberg as of September 2017.5 Bloomberg, correlation table covers October 2008 to September 2017

Indonesian REITs Market Potential : Robust Growth in Hotels and Service Apartments in Jakarta, Indonesia

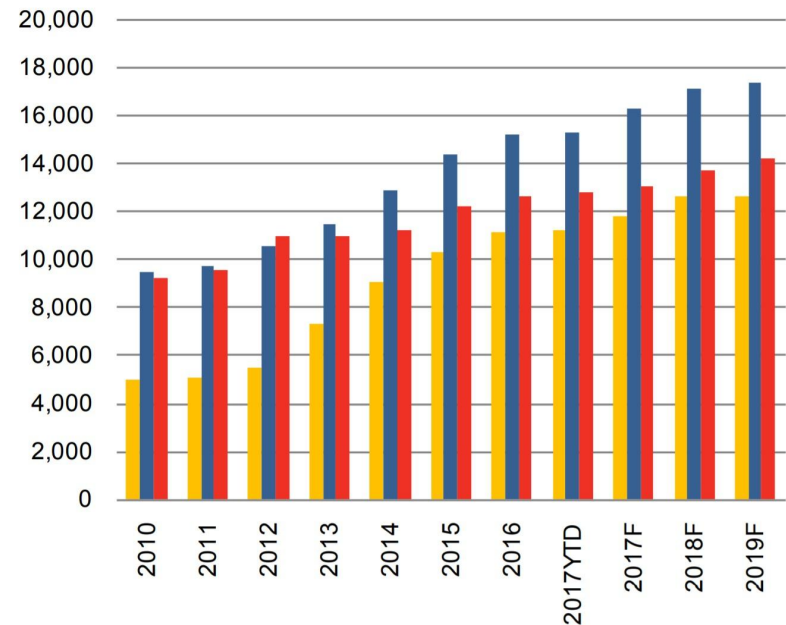


- Jakarta is expecting 1,767 additional new rooms up to the end of 2017
- The supply was still dominated by four-star (three hotels) with 983 rooms, followed by three-star hotels (3 hotels and 1 service apartments) with 534 rooms and five-star hotels (one hotel) with 250 rooms

Cummulative Supply of Hotel & Service Apartment Projects in Jakarta, Indonesia



Cummulative Supply of Starred Hotel Rooms & Service Apartments in Jakarta, Indonesia



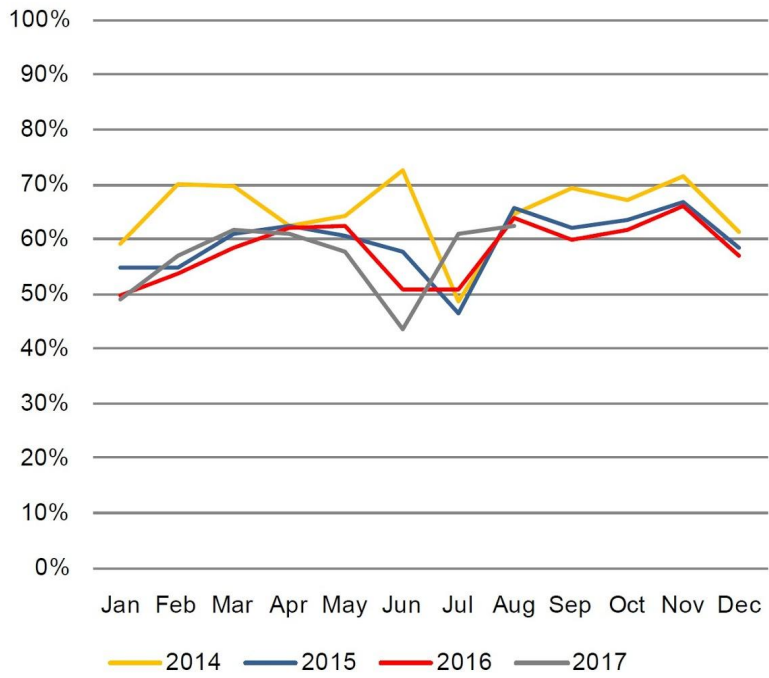
Source: CI Research, Hotel Outlook 3Q17

Indonesian REITs Market Potential : Demand Side of Hotels and Service Apartments in Jakarta, Indonesia

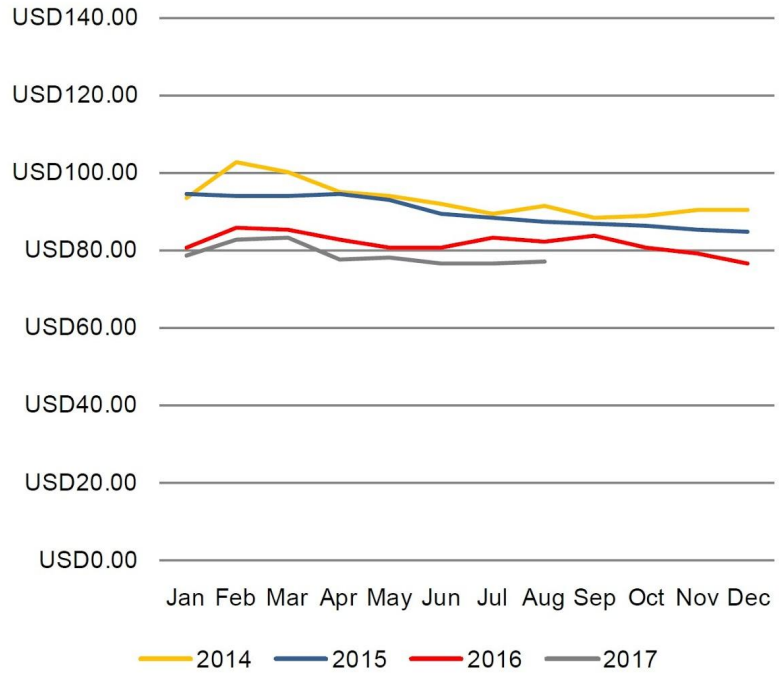


- The level of hotel room & service apartment absorption in Jakarta is at 56.5% year-to-date, the year-to-date ADR was recorded at USD78.46
- Increase in political activities for year 2019 general elections and the 2018 Asian Games next year might help fuel demand for hotel rooms & service apartments

Monthly Average Occupancy Rates (AOR) in Jakarta Hotels and Service Apartments Market



Monthly Average Daily Rate (ADR) in Jakarta Hotel and Service Apartment Markets



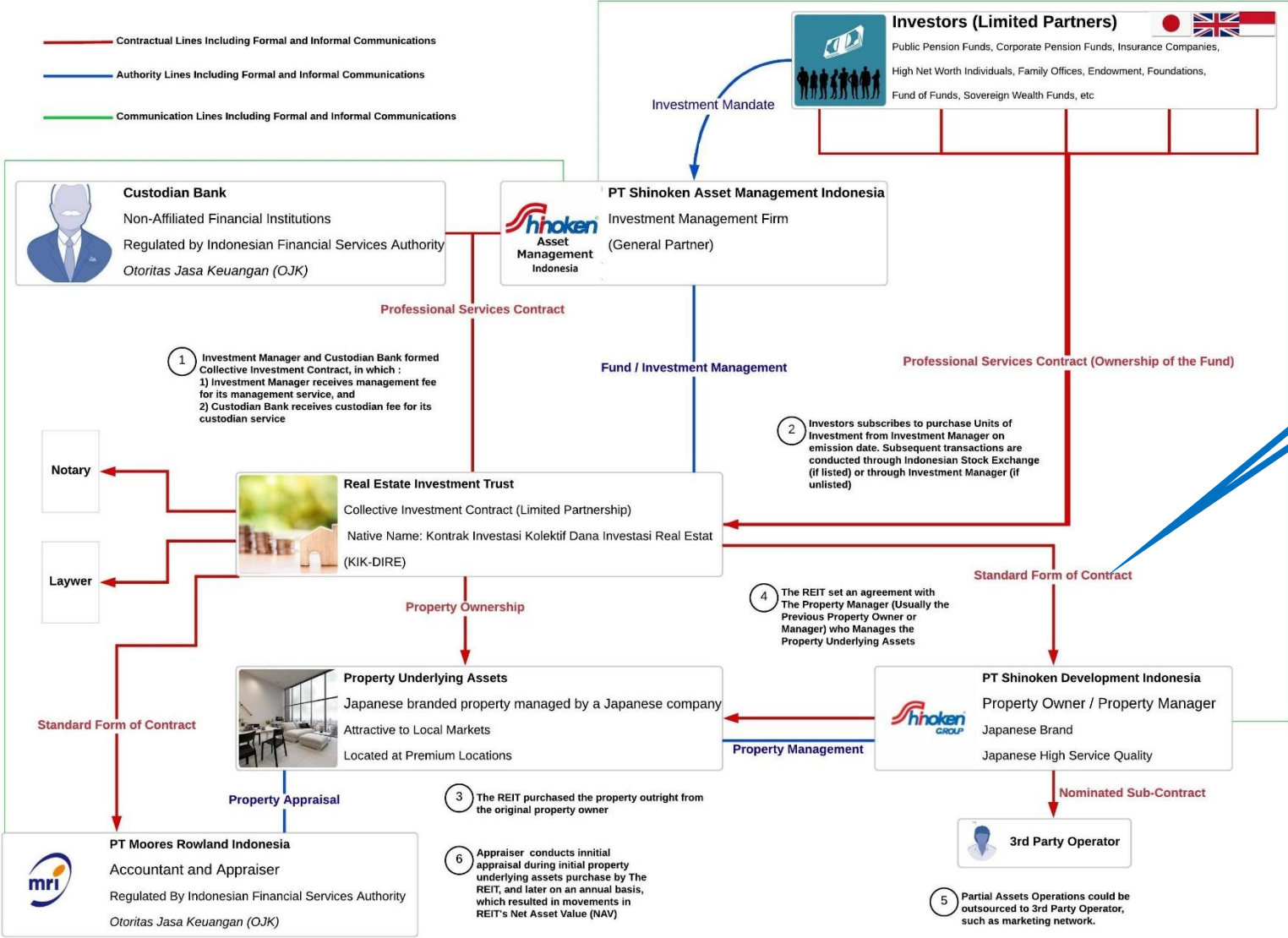
Source: CI Research, Hotel Outlook 3Q17

Our Products | REITs (KIK-DIRE) 1



Japanese Quality

Real Estate Investment Trust Direct Investment Scheme

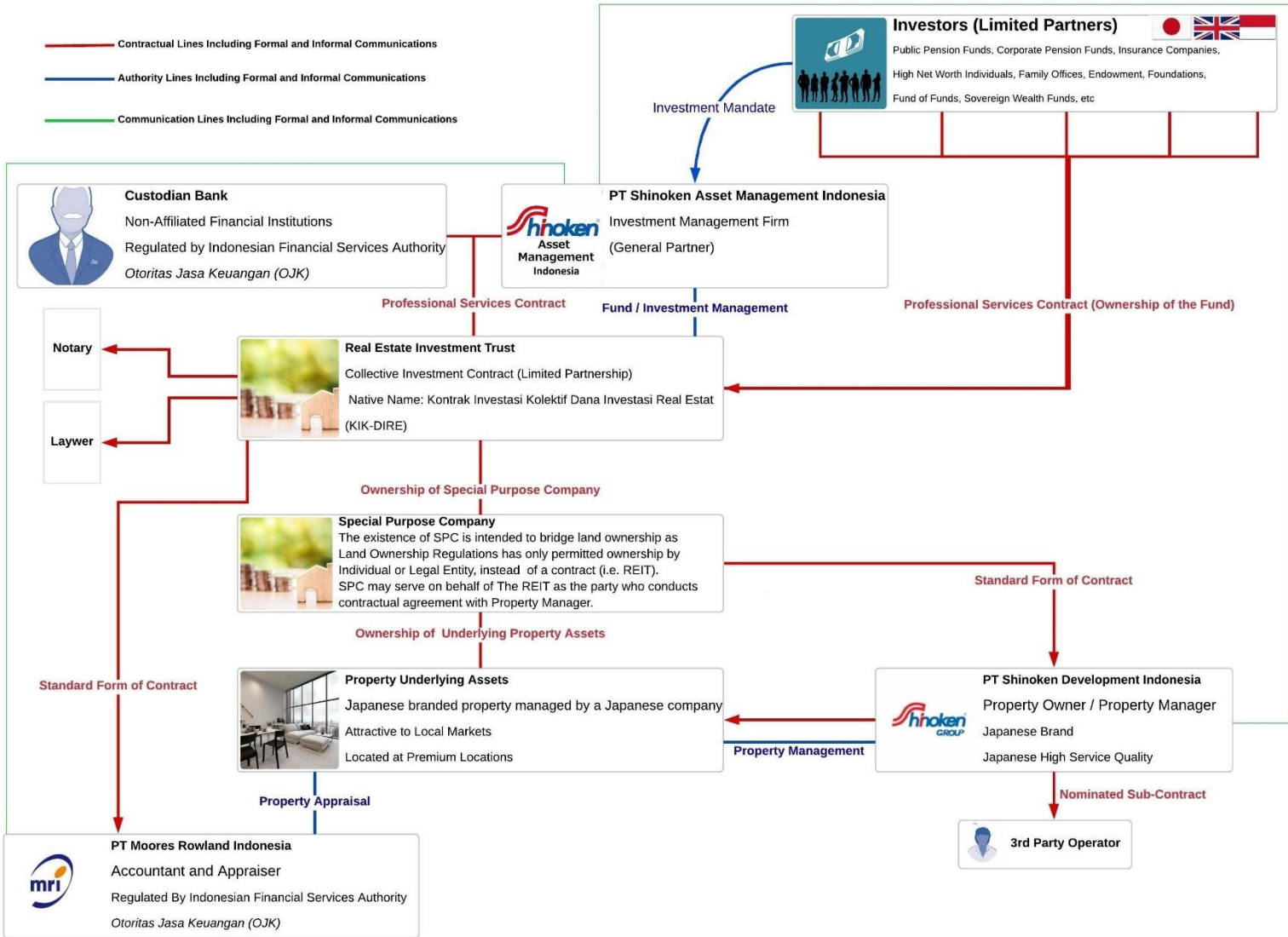


Our Products | REITs (KIK-DIRE) 2



Japanese Quality

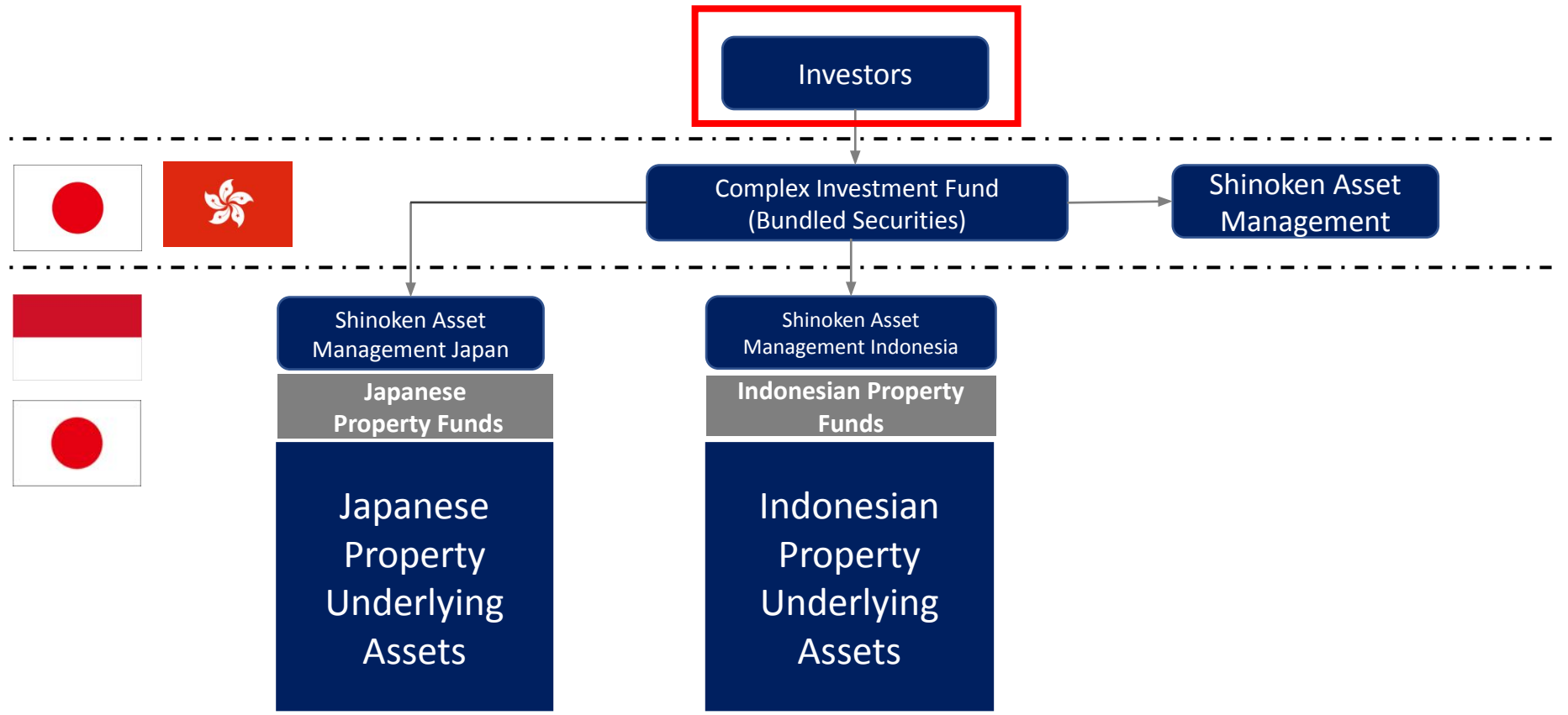
Real Estate Investment Trust Special Purpose Company Investment Scheme



Future Investment Products Proposal



- Set-up complex fund on which underlying asset consists of Japanese properties and Indonesian properties bundled in highly reputable markets, i.e. Tokyo, Hong Kong or London
- Increase Geographical Diversification of lower yield stable return from Japanese assets and to potentially obtain higher yield more volatile return from emerging countries' assets such as those of Indonesia

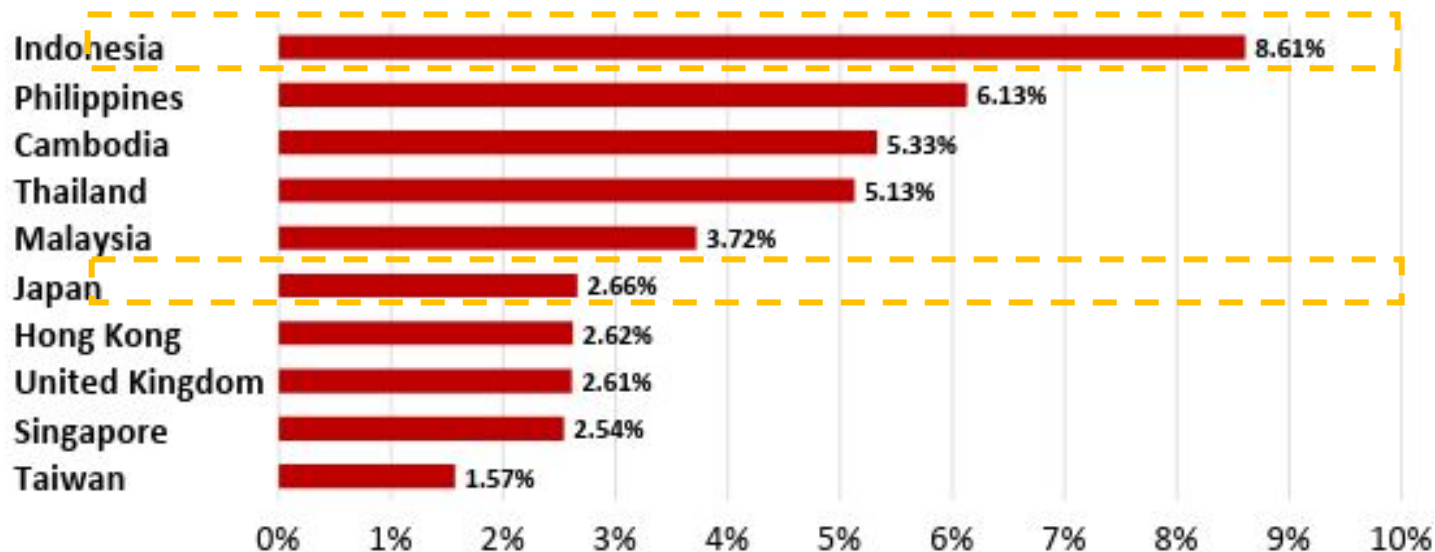


Indonesian REITs Market Potential : Indonesia Offers Attractive Condominium Rental Opportunities



- The gross annual rental income, expressed as a percentage of property purchase price. This is what a landlord can expect as return on his investment before taxes, maintenance fees and other costs.
- While offering the highest rental yields, Indonesia lags behind the rest of the Asean-5 in attracting foreign buyers due to legal hurdles in the implementation of the country's recent property market liberalisation; thus REITS could bridge this prospect.

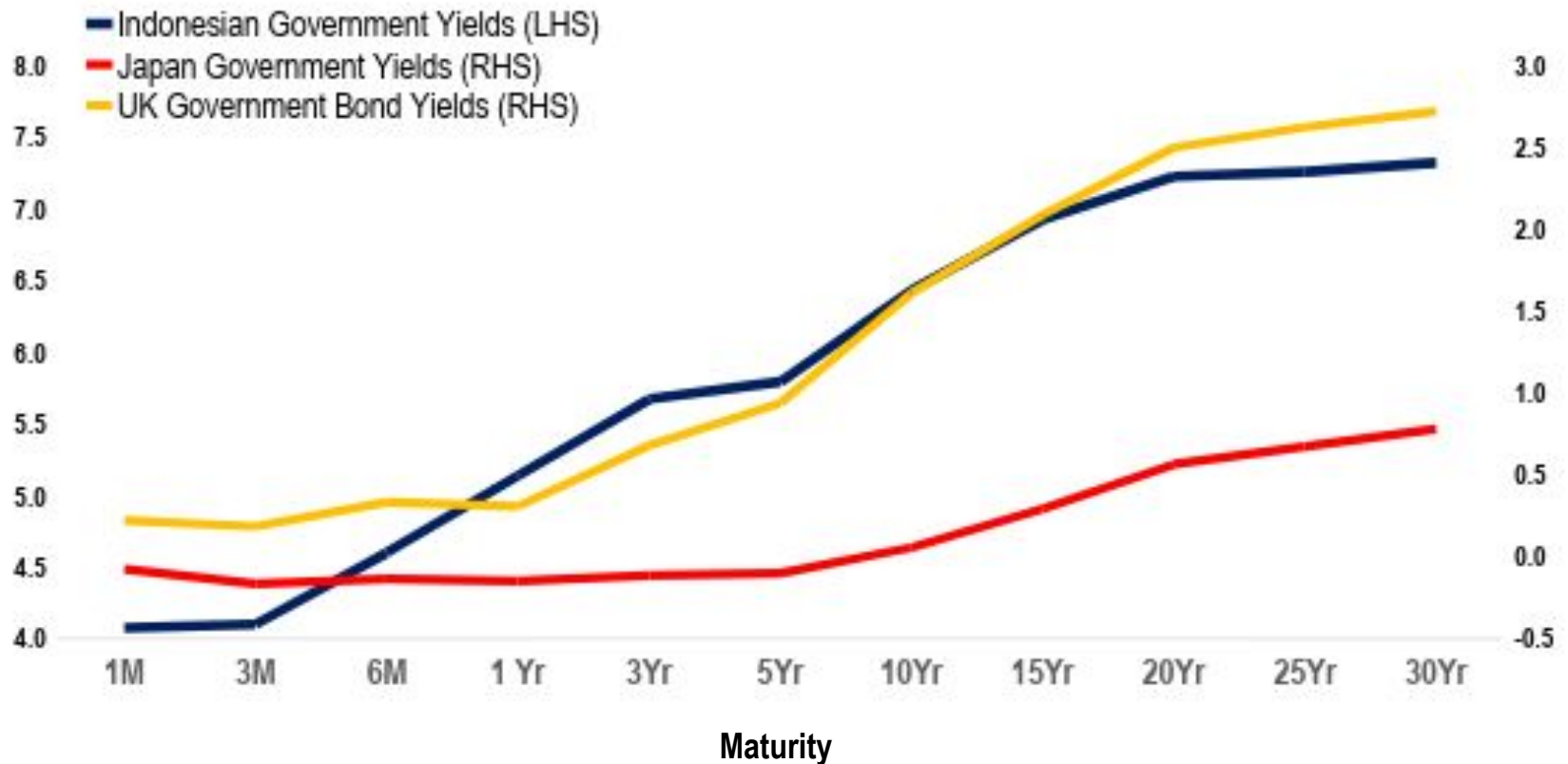
Gross Rental Yields (%) YoY



Source: Global Property Guide FTCR

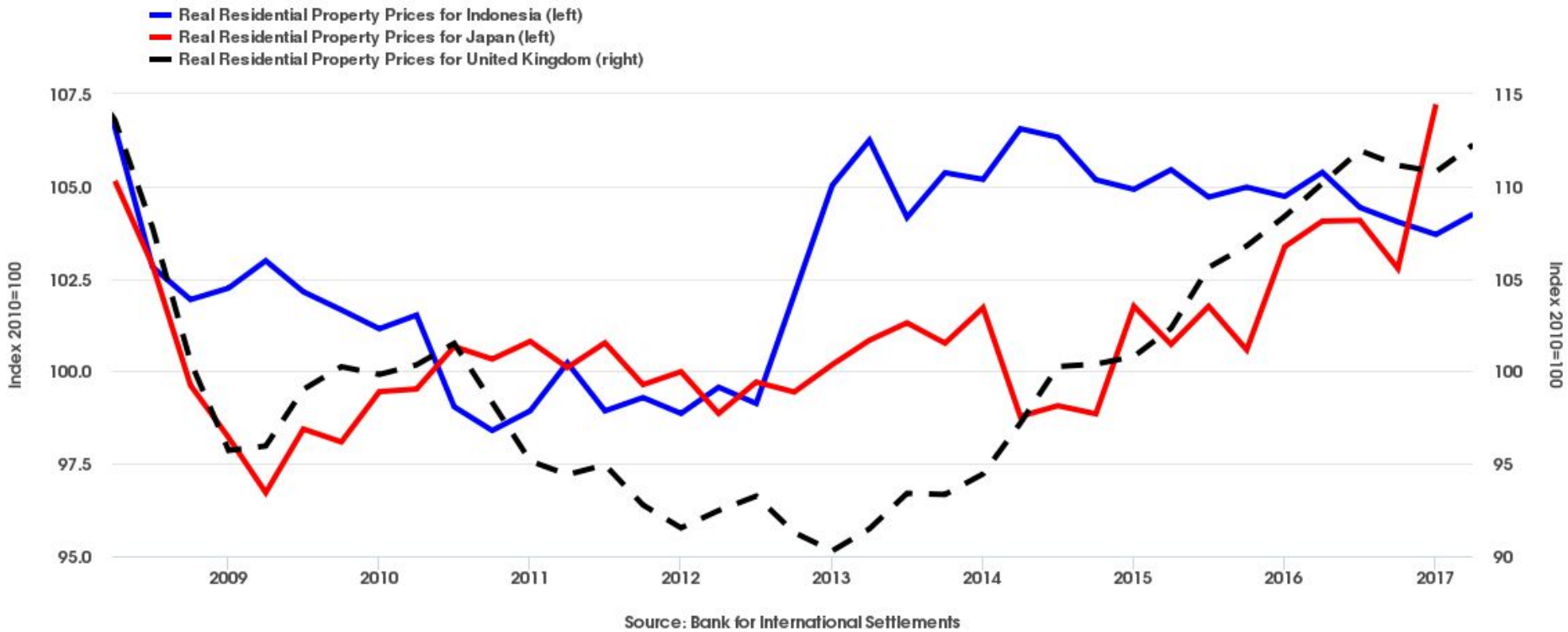
Districts researched in Indonesia: Central Jakarta: Menteng | South Jakarta: CBD, Cilandak/Cipete, Golden Triangle (formed by Jl. Sudirman, Jl. Gatot Subroto, and Jl. Rasuna Said), Kebayoran Baru, Kemang, Kuningan, Sudirman, Pondok Indah | Bali: Canggu, Jimbaran, Kerobokan, Kuta, Legian, Nusa Dua, Oberoi, Seminyak, Sanur

Geographical Diversification could Naturally Hedge the Indonesian IDR Yields vs JPY Yields



Source: IBPA, BOJ, BOE as of 21st February 2017

Geographical Diversification Could Also Naturally Hedge Capital Gain From Property Prices' Fluctuations



Competitive Advantages of our Funds



- **High Reputation in Japan**

The most valuable asset Shinoken has is its reputation. Shinoken group is publicly listed in Tokyo Stock Exchange and currently ranked #208 on the FT 1000: High-Growth Companies Asia-Pacific. The high reputation status has always been our core value investment as part of our corporate responsibility to our Investors.

- **Solid Connection with Japanese Investors**

The most valuable asset Shinoken has is its reputation. Shinoken group is publicly listed in Tokyo Stock Exchange and currently ranked #208 on the FT 1000: High-Growth Companies Asia-Pacific. The high reputation status has always been our core value investment as part of our corporate responsibility to our Investors.

- **Highly Knowledgeable, Competence and Experienced Investment Professionals**

The success of Shinoken Asset Management is created on strong relationships based on mutual respect with our investors, our shareholders and with all of our other stakeholders. The key apprehension in every one of our activities must consistently be the needs of the investors and the development of long-term relationships. An essential feature in irreproachable behaviour also includes the way we present ourselves. Shinoken Asset Management has strict policy of recruitment to ensure that our member consisted of Investment Professionals with strong knowledge, experience and competencies in Properties and Investment Products across the European, Japanese and Indonesian Market.

Competitive Advantages of our Private Equity Fund

Japanese Quality Investments



Shinoken Private Equity (RDPT) would have a strong competitive advantage since our funds will achieve benefits from corporate strategies based on supply chain linkages, core competences and synergy, such as the cooperation with PT. Shinoken Development Indonesia and Ogawa Constructions, Indonesian subsidiary and foreign representative office of Shinoken Group.

- **High-Quality Japanese Brand**

As the pioneer of Private Equity Fund (KIK-DIRE) that invested in Indonesian LNG related businesses with Japanese quality of management. Our Fund will enable Shinoken to not only provide the good design award-winning architecture, but also the combined services of high occupancy rent management for the Large base of potential residents

- **Large Customer Base Potentials**

As the Property Rent Management is serviced by a Japanese based company, the Property underlying assets would have an enduring competitive advantage in the target market of Japanese Foreign Professionals and Indonesian Professions by creating a unique brand image, or position, in the customer's mind.

- **Shinoken Asset Management's Product is unique**, there has not been many products like those of Shinoken REIT available in any Global Financial Market Worldwide, in which invest in Indonesian and/or mixture between Indonesian and Japanese Quality Real Property Underlying Assets.

Section 4: Distribution Details

Distribution Details | Real Estate Investment Trust (KIK-DIRE) Series



Distribution Period	1 January 2019 – 31 December 2019
Distribution Rate	IDR (Or USD) XX per Units
Last Trading Days on “cum Basis”	31 January 2020, 5 PM
Ex-Date	1 February 2020, 9 AM
Books Closure Date	5 February 2020
Distribution Payment Date	28 February 2020

The details here are also just an example depending on the final product prospectus with regards to distribution period, distribution rate, last trading days on “cum Basis”, Ex-Date, Book Closure Date, Distribution Payment Date. The final conclusion shall be upon internal agreements and prospectus of each products.

Section 5: Capital and Risk Management

Key Financial Indicators

Real Estate Investment Trust (KIK-DIRE) Series



Robust Balance Sheets and Credit Metrics As Of December 20xx

Gearing	Maximum 45%
EBITDA/Interest Expense	Between 8-10x
Effective Borrowing Rates	Between 2-3%
Total Debt to EBITDA	Between 1-2x
ROIC	Between 8–12%
EVA	Between 3–5%
Weighted Avg Debt to Maturity (Years)	5 Years
NAV/Unit	Xx/Unit
Adjusted NAV/Unit (Excluding the distributable income to Unitholders)	Xx/Unit

Section 6 : Appendix

Financial Services Authority (OJK) Regulations Related To REITs in Indonesia

- **POJK 19 / POJK. 04/2016:** Investment Management and Custodian Banks Guidelines on REITs
- **NO. IX.C.5:** Registration Statement in The Framework of Public Offering by Real Estate Investment Trusts in The Form of Collective Investment Contract
- **NO. IX.C.16.** Concerning Guidance on the form and contents of the prospectus in the form of collective investment contract
- **NO. IX.C.16.** Guidelines of The Collective Investment Contract



What are REITs and What made them so popular?

- **Bridge Property Ownership with small retail investor base**, by dividing large property ownership into affordable units.
- **Return consists of price appreciation** plus a steady income stream, attractive asset class during a downwards period in the stock market as a hedge on assets
- **Most of Indonesian Based REITs were listed in Singapore**, due to previously expensive tax rate before the government reduced the income tax
- **Real Estate Developers** can monetize their projects in a short period of orders and move on to other projects



The 11th Package Tax Incentives to replace MOF Reg. 200 and The Capital Gain Tax, which MoF Regulations Imposed

- **Under the 11th Package on November 2015:**
 - Reduction of Seller's Tax (Pajak Pendapatan Untuk Pengalihan Hak Atas Tanah dan Bangunan) from 5% to 0.5%
 - Reduction of Buyer's Tax (Bea Perolehan Hak Atas Tanah dan Bangunan) from 5% to 1%
- **The 11th Package solidified the Indonesian Government's intention to boost the domestically listed REITs Market**
- **There are only 2 REITs listed in Indonesia, one listed in 2012 and another one listed in 2017**
- **REITs were previously subject to tax when**
 - SPV received income from transfer of assets (Seller's Tax or Rent & Income Tax)
 - They receive dividends from their SPV



Source: AFP

The advantages of a strong REITs Market in Indonesia

- **Unlock potential funding for the property sector**, as until now, property development in Indonesia relied on Bank's funding
- **Potential Public Private Initiatives for infrastructure development funding**, i.e. Toll Roads Development
- **Provide new instruments for the investors to hedge outside the Equity, Fixed Income, and Money Market**
- **From the demand side**, investors such as severance funds (PPUKP) and pension funds need a steady income in REITs compared to fluctuations of prices in Equity



Source: AFP

Замечание

Ценность подразделений Shinoken Residence Investment Funds и вытекающий из этого доход может как расти, так и падать. В Shinoken Asset Management Co., Ltd., Shinoken Asset Management Indonesia, и другие филиалы Группы Компаний не имеют залогового имущества. Инвестиции же в подразделения компаний могут облагаться риском, включая риск потери инвестированного капитала. Прошлая деятельность Shinoken REIT / Shinoken RDPT не может являться безусловной гарантией для последующей деятельности.

Презентация содержит предположительные заявления, включающие риски и факторы неопределенности. Действительная предстоящая деятельность и ее результаты могут отличаться в материальном эквиваленте, вследствие несения рисков. Показательными факторами последних без ограничения являются изменения в основной промышленности и экономике, колебания показателей и стоимости капитала, открытость капитала, конкурентная среда, изменения в операционных расходах, изменения в государственном регулировании, риск несвоевременных поступлений для инвестирования проектов. Будущие инвесторы и держатели долей предостережены от чрезмерного полагания на исполнение перспективных предположений.

Держатели долей Shinoken REIT и Shinoken RDPT не имеют права выкупа имущества находящего под надзором компании.

Disclaimer

Презентация была подготовлена исключительно в информационных целях и не подразумевает собой какой-либо финансовый инструмент, а также поиск продажи или покупки. Положение инвесторов должно быть обусловлено соответствующим профессиональным анализом и основанным на их собственном предпочтении. Стоит отметить, что доход от вложений может колебаться с каждым расходом. Доход от вложений может быть меньшим, чем сами вложения.

Инвесторы должны быть предупреждены о рисках до начала осуществления деятельности. Просим изучить информацию о вероятности и причинах возникновения.

Аналитические данные, заключения и прогнозы, включенные в презентацию, предоставлены ресурсами наших подразделений и заверены данными технической экспертизы. Информация, данная выше, подготовлена исключительно для ее получателя.

Организация не берет на себя ответственность за прямое и косвенное использование информации, всякой из данной презентации. Никакая ее часть не должна быть распространена или воспроизведена без предварительного согласия аналитиков, работающих над ней.